

State of Arizona
Senate
Forty-fifth Legislature
First Regular Session
2001

CHAPTER 117

SENATE BILL 1138

AN ACT

AMENDING SECTIONS 3-1005, 9-432 AND 9-433, ARIZONA REVISED STATUTES; PROVIDING FOR THE DELAYED REPEAL OF SECTION 9-434, ARIZONA REVISED STATUTES; AMENDING SECTIONS 11-251.07, 15-1688, ARIZONA REVISED STATUTES; AMENDING SECTION 15-2021, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2001, CHAPTER 11, SECTION 4; AMENDING SECTIONS 15-2031, 15-2041, 17-289, 28-6546, 28-6996, 28-7509, 28-8101, 28-8202, 30-203, 32-573, 32-1129.02, 35-312, 35-313, 35-314.01, 35-314.02, 35-323, 35-468, 35-468.01, 36-798.05, 41-172 AND 42-5029, ARIZONA REVISED STATUTES; PROVIDING FOR THE DELAYED REPEAL OF SECTION 42-5030, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-5030.01, 42-15252, 42-15253, 42-15254, 44-313, 44-314, 48-251, 48-1068, 48-2710, 48-3114, 48-4461, 48-4549, 48-5169 AND 48-5170, ARIZONA REVISED STATUTES; REPEALING SECTION 35-314, ARIZONA REVISED STATUTES; AMENDING TITLE 35, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 35-314; RELATING TO THE OFFICE OF THE STATE TREASURER.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 3-1005, Arizona Revised Statutes, is amended to
3 read:

4 3-1005. Arizona exposition and state fair fund

5 A. Monies received by the board, other than those referred to in
6 section 3-1003, subsection A, paragraph 9 and other than those received by
7 the board as ticket sales pursuant to a valid lease of the coliseum, shall
8 be deposited, pursuant to sections 35-146 and 35-147, in the Arizona
9 exposition and state fair fund and are subject to legislative
10 appropriation. Ticket sale monies received pursuant to a valid lease of the
11 coliseum may be deposited with a bank qualified to receive public deposits
12 under title 35, chapter 2, article 2.1, in which case the signature of the
13 executive director or a bonded employee designated by the executive director
14 and the lessee shall be required on any instrument withdrawing such a
15 deposit. Vouchers for authorized expenditures shall be signed by the
16 executive director or by an employee who is bonded as prescribed by the terms
17 of this article and is designated by the executive director. The receipt
18 and expenditure of funds shall be as prescribed by law and the rules of the
19 director of the department of administration. Balances remaining in the fund
20 at the end of a fiscal year shall not revert to the general fund.

21 B. ON NOTICE FROM THE EXECUTIVE DIRECTOR, THE STATE TREASURER SHALL
22 INVEST AND DIVEST MONIES IN THE ARIZONA EXPOSITION AND STATE FAIR FUND IN
23 OBLIGATIONS ISSUED OR GUARANTEED BY THE UNITED STATES OR ANY OF THE SENIOR
24 DEBT OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS, SPONSORED
25 CORPORATIONS OR INSTRUMENTALITIES, AND MONIES EARNED FROM INVESTMENT SHALL
26 BE CREDITED TO THE ARIZONA EXPOSITION AND STATE FAIR FUND.

27 ~~B.~~ C. Disbursements from an account of ticket sales received pursuant
28 to a valid lease of the coliseum as described in subsection A of this section
29 shall be limited to payments of amounts due to the lessor or lessee pursuant
30 to the lease. No disbursements from this account shall be made for state
31 wages, salaries or expenses. Upon the completion or termination of any lease
32 pursuant to subsection A of this section, all monies accruing to the board
33 shall be deposited, pursuant to sections 35-146 and 35-147.

34 ~~C.~~ D. There is established an exposition and state fair board
35 permanent revolving fund for use in making change at fairs and for purchases
36 and activities requiring immediate cash outlay for events sponsored by the
37 Arizona exposition and state fair board that are proper as ultimate claims
38 for payment from the exposition and state fair fund. The amount of the fund
39 shall not exceed twenty thousand dollars, except for a period beginning
40 October 1 and ending November 30 each year when the amount of the fund shall
41 not exceed fifty thousand dollars for use during the annual state
42 fair. Expenditures from this fund and reimbursement to the fund shall be as
43 prescribed by rules of the director of the department of administration. All
44 monies deposited in the revolving fund are appropriated to the board for the
45 purposes provided in this subsection and are exempt from the provisions of

1 section 35-190 relating to lapsing of appropriations. The exposition and
2 state fair board permanent revolving fund shall be established as a separate
3 account on the books of the exposition and state fair board and a full
4 accounting of its use shall be made to the director of the department of
5 administration annually or as required by the director of the department of
6 administration.

7 Sec. 2. Section 9-432, Arizona Revised Statutes, is amended to read:

8 9-432. Remote municipal property as water source; payments in
9 lieu of property taxes required to transport water

10 A. In exercising the powers granted by this title or by charter, a
11 city, town or successor political subdivision, acting through its governing
12 body, may make voluntary contributions of money to this state in lieu of
13 taxes otherwise levied by taxing jurisdictions on any of the city's, town's
14 or political subdivision's remote municipal property, as defined in section
15 42-15251.

16 B. Water may not be transported by a city, town or political
17 subdivision from the remote municipal property unless voluntary contributions
18 under this article are current and have been paid to this state, together
19 with any applicable penalties and interest, in the amount determined under
20 section 42-15253, beginning with the year in which the property was purchased
21 or January 1, 1992, whichever is later.

22 C. The city or town may alienate all or part of its interest in the
23 remote municipal property at any time, and if it does so, the city or town
24 shall terminate its payments under this article with respect to the alienated
25 property. If the city or town conveys all or part of its interest in the
26 remote municipal property to another political subdivision, the political
27 subdivision shall continue the payments under this article with respect to
28 the transferred property.

29 Sec. 3. Section 9-433, Arizona Revised Statutes, is amended to read:

30 9-433. Voluntary contributions; payment; interest on delinquent
31 payments

32 A. On or before April 1 of each year each city, town or successor
33 political subdivision that elects to make voluntary contributions under
34 section 9-432 shall notify the state treasurer and the county assessor of the
35 county in which the property is located of its election to make a
36 contribution under this article.

37 B. The city, town or political subdivision shall pay to the state
38 treasurer COUNTY TREASURER OF THE COUNTY IN WHICH THE PROPERTY IS LOCATED
39 one-half of the amount determined pursuant to section 42-15253 not later than
40 the first Monday in November and the other one-half not later than the first
41 Monday in May of the next year. The city or town shall make these payments
42 solely from the revenues of any utility undertaking as defined in section
43 9-521. The payments shall be treated as an expense of operation and
44 maintenance of the utility undertaking. If the city or town has no utility
45 undertaking or discontinues ownership of its utility undertaking after

1 purchase of the land, the payments shall be made solely from proceeds of
2 excise taxes collected by the city or town or levied and collected by this
3 state and distributed to the city or town.

4 ~~C. The state treasurer shall deposit the monies received under this~~
5 ~~section in the urban in lieu payment fund.~~

6 ~~D.~~ C. Payments that are not paid when due under this section bear
7 simple interest at the rate of sixteen per cent per year.

8 Sec. 4. Delayed repeal

9 Section 9-434, Arizona Revised Statutes, is repealed from and after
10 June 30, 2002.

11 Sec. 5. Section 11-251.07, Arizona Revised Statutes, is amended to
12 read:

13 11-251.07. Report of special taxing districts in the county

14 A. On or before October 1 of each year the board of supervisors shall
15 ~~submit to the state treasurer~~ COMPILE a report of all special taxing
16 districts existing under title 48 in the county during the preceding fiscal
17 year except for those organized under title 48, chapter 4 and chapter 6,
18 articles 1 and 2. The report shall include for each district:

19 1. The date of formation.

20 2. The total assessed valuation of the district.

21 3. The tax rate levied by the district for the current tax year.

22 4. The estimated budget for the district for the current fiscal year.

23 5. A map of the district.

24 6. A copy of any required district impact statement for districts when
25 they are organized.

26 B. The annual report shall also include for any district THAT IS
27 organized under title 48 AND whose boundaries changed during the preceding
28 fiscal year, except for districts organized under title 48, chapter 4 and
29 chapter 6, articles 1 and 2, a current map of the district's boundaries plus
30 a copy of any boundary change impact statement if required.

31 Sec. 6. Section 15-1688, Arizona Revised Statutes, is amended to read:

32 15-1688. Monies of the board

33 No monies derived from the sale of bonds issued under the provisions
34 of this article or pledged or assigned to or in trust for the benefit of the
35 holder or holders thereof OF THE BONDS shall be required to be paid into the
36 state treasury but shall be invested in obligations issued by or guaranteed
37 by the United States of America or any department, agency or instrumentality
38 thereof OR ANY OF THE SENIOR DEBT OF ITS AGENCIES, SPONSORED AGENCIES,
39 CORPORATIONS, SPONSORED CORPORATIONS OR INSTRUMENTALITIES, or shall be
40 deposited by the treasurer or other fiscal officer of the board in such bank
41 or banks or trust company or trust companies as may be designated by the
42 board, and all deposits of such monies shall, if required by the board, be
43 secured by obligations of the United States of America of a market value
44 equal at all times to the amount of such monies on deposit. Such monies
45 shall be disbursed as may be directed by the board and in accordance with the

1 terms of any agreements with the holder or holders of any bonds. This
2 section shall not be construed as limiting the power of the board to agree
3 in connection with the issuance of any of its bonds as to the custody and
4 disposition of the monies received from the sale of such bonds or from the
5 income and revenues pledged or assigned to or in trust for the benefit of the
6 holder or holders thereof OF THE BONDS.

7 Sec. 7. Section 15-2021, Arizona Revised Statutes, as amended by Laws
8 2001, chapter 11, section 4, is amended to read:

9 15-2021. Deficiencies correction fund

10 A. A deficiencies correction fund is established consisting of monies
11 appropriated by the legislature and monies credited to the fund pursuant to
12 section 42-5030.01. The school facilities board shall administer the fund
13 and distribute monies to school districts and pay contractors for the purpose
14 of correcting existing deficiencies. Monies in the fund are continuously
15 appropriated and are exempt from the provisions of section 35-190 relating
16 to lapsing of appropriations.

17 B. School districts are eligible for monies from the deficiencies
18 correction fund for either of the following purposes:

19 1. To correct any square footage deficiency pursuant to section
20 15-2011. School districts shall submit a summary notice on a form prescribed
21 by the school facilities board that the school district believes it has a
22 square footage deficiency pursuant to section 15-2011, subsection C to the
23 school facilities board by December 1, 1998. If the school district exceeds
24 the standard by ten per cent or more, the school district may be required to
25 pay for the cost of an on-site space assessment by the school facilities
26 board. By June 30, 1999, the school facilities board shall assess all
27 alleged square footage deficiencies from the school district notices.

28 2. To correct quality deficiencies based on the district's inability
29 to comply with the minimum school facility adequacy requirements established
30 in and pursuant to section 15-2011. This state shall not correct quality
31 deficiencies pursuant to this paragraph for elective courses that require the
32 school district facilities to exceed building adequacy standards. School
33 districts shall submit a summary notice on a form prescribed by the school
34 facilities board that the school district has a quality deficiency need to
35 the school facilities board by August 1, 1999.

36 C. The school facilities board shall calculate the amount of
37 distribution for square footage deficiencies based on the square footage
38 prescribed in section 15-2011, subsection C and the cost per square foot
39 based on the amounts prescribed in section 15-2041, subsection D, paragraph
40 3, subdivision (c), adjusted as needed to bring the school district into
41 compliance with the minimum school facility adequacy requirements established
42 in and pursuant to section 15-2011.

43 D. The school facilities board may distribute monies for new
44 construction to a school district if the board determines after its

1 assessment that the new construction is more cost-effective than correcting
2 the deficiencies in the existing school building or buildings.

3 E. The school facilities board shall distribute monies from the
4 deficiencies correction fund to school districts and pay contractors for the
5 purpose of correcting existing deficiencies in an amount approved by the
6 board. The school facilities board shall review and award monies to correct
7 deficiencies pursuant to this section by June 30, 2001 and shall ensure that
8 school districts correct deficiencies pursuant to this section by June 30,
9 2003.

10 F. School districts that receive monies from the deficiencies
11 correction fund shall establish a school district deficiencies correction
12 fund and shall use the monies in the school district deficiencies correction
13 fund only for the purposes prescribed in this section. Ending cash balances
14 in a school district's deficiencies correction fund may be used in following
15 fiscal years only for the purposes prescribed in this section. Each school
16 district that receives monies from the deficiencies correction fund shall
17 annually report the expenditures in the previous fiscal year to the school
18 facilities board by October 15 and provide an accounting of the monies
19 remaining in the deficiencies correction fund at the end of the previous
20 fiscal year. The school facilities board shall submit a report to the
21 legislature and the Arizona state library, archives and public records by
22 December 15, 1999 that includes a detailed cost estimate of the monies that
23 ~~will need to be appropriated~~ BE NEEDED to correct the existing deficiencies
24 of all schools in this state by June 30, 2003. This state shall annually
25 appropriate PROVIDE SUFFICIENT monies to the deficiencies correction fund
26 established in this section in order to correct existing deficiencies of all
27 schools in this state by June 30, 2003.

28 G. A deficiency correction project awarded pursuant to this section
29 may be combined with the deficiency correction projects of one or more
30 additional school districts for purposes of procuring construction services
31 and materials that are necessary to correct deficiencies if the school
32 facilities board determines that combining the projects maximizes the
33 purchasing value of the public monies of this state.

34 Sec. 8. Section 15-2031, Arizona Revised Statutes, is amended to read:
35 15-2031. Building renewal fund; definition

36 A. A building renewal fund is established consisting of monies
37 appropriated by the legislature and monies credited to the fund pursuant to
38 section 42-5030.01. The school facilities board shall administer the fund
39 and distribute monies to school districts for the purpose of maintaining the
40 adequacy of existing school facilities. Monies in the fund are continuously
41 appropriated and are exempt from the provisions of section 35-190 relating
42 to lapsing of appropriations.

43 B. The school facilities board shall inventory and inspect all school
44 buildings in this state in order to develop a data base to administer the
45 building renewal formula. The data base shall include the student capacity

1 of the building as determined by the school facilities board. The board
2 shall distribute monies from the building renewal fund to school districts
3 in an amount computed pursuant to subsection G of this section. A school
4 district that receives monies from the building renewal fund shall use the
5 monies primarily for any buildings in the data base developed or created
6 under subsection D of this section and secondly for any other buildings owned
7 by the school district for any of the following:

8 1. Major renovations and repairs of a building.
9 2. Upgrading systems and areas that will maintain or extend the
10 useful life of the building.

11 3. Infrastructure costs.

12 4. Relocation and placement of portable and modular buildings.

13 C. Monies received from the building renewal fund shall not be used
14 for any of the following purposes:

15 1. New construction.

16 2. Remodeling interior space for aesthetic or preferential reasons.

17 3. Exterior beautification.

18 4. Demolition.

19 5. The purchase of soft capital items pursuant to section 15-962,
20 subsection D.

21 6. Routine maintenance.

22 D. The school facilities board shall maintain the building renewal
23 data base and use the data base for the computation of the building renewal
24 formula distributions. The board shall ensure that the data base is updated
25 on at least an annual basis to reflect changes in the ages and value of
26 school buildings. The facilities listed in the data base shall include only
27 those buildings that are owned by school districts that are required to meet
28 academic standards. Each school district shall report to the school
29 facilities board no later than September 1 of each year the number and type
30 of school buildings owned by the district, the square footage of each
31 building, the age of each building, the nature of any renovations completed
32 and the cost of any renovations completed. The school facilities board may
33 review or audit, or both, to confirm the information submitted by a school
34 district. The board shall adjust the age of each school facility in the data
35 base whenever a building is significantly upgraded or remodeled. The age of
36 a building that has been significantly upgraded or remodeled shall be
37 recomputed as follows:

38 1. Divide the cost of the renovation by the building capacity value
39 of the building determined in subsection G, paragraph 3 of this section.

40 2. Multiply the quotient determined in paragraph 1 of this subsection
41 by the currently listed age of the building in the data base.

42 3. Subtract the product determined in paragraph 2 of this subsection
43 from the currently listed age of the building in the data base, rounded to
44 the nearest whole number. If the result is negative, use zero.

1 E. The school facilities board shall submit an annual report to the
2 president of the senate, the speaker of the house of representatives, the
3 Arizona state library, archives and public records and the governor by
4 October 1 that includes the computation of the amount of monies to be
5 distributed from the building renewal fund for the current fiscal year. The
6 joint committee on capital review shall review the school facilities board's
7 calculation of the building renewal fund distributions. After the joint
8 committee on capital review reviews the distributions computed by the school
9 facilities board, the school facilities board shall distribute the monies
10 ~~appropriated by the legislature~~ from the building renewal fund to school
11 districts in two equal installments in November and May of each year.

12 F. School districts that receive monies from the building renewal
13 fund shall establish a district building renewal fund and shall use the
14 monies in the district building renewal fund only for the purposes prescribed
15 in subsection B of this section. Ending cash balances in a school district's
16 building renewal fund may be used in following fiscal years for building
17 renewal pursuant to subsection B of this section. By October 15 of each
18 year, each school district shall report to the school facilities board the
19 projects funded at each school in the previous fiscal year with monies from
20 the district building renewal fund and shall provide an accounting of the
21 monies remaining in the district building renewal fund at the end of the
22 previous fiscal year.

23 G. Notwithstanding any other provision of this chapter, if a school
24 district converts space that is listed in the data base maintained pursuant
25 to this section to space that will be used for administrative purposes, the
26 school district is responsible for any costs associated with the conversion,
27 maintenance and replacement of that space. The building renewal amount for
28 each school building shall be computed as follows:

29 1. Divide the age of the building as computed pursuant to subsection
30 D of this section by one thousand two hundred seventy-five or, in the case
31 of modular or portable buildings, by two hundred ten.

32 2. Multiply the quotient determined in paragraph 1 of this subsection
33 by 0.67.

34 3. Determine the building capacity value as follows:

35 (a) Multiply the student capacity of the building by the per student
36 square foot capacity established by section 15-2041.

37 (b) Multiply the product determined in subdivision (a) of this
38 paragraph by the cost per square foot established by section 15-2041.

39 4. Multiply the product determined in paragraph 2 of this subsection
40 by the product determined in paragraph 3, subdivision (b) of this subsection.

41 H. If the school facilities board determines that a school district
42 has spent monies from the building renewal fund for purposes other than those
43 prescribed in subsection B of this section, the school facilities board shall
44 notify the superintendent of public instruction. Notwithstanding any other
45 law, the superintendent of public instruction shall withhold a corresponding

1 amount from the monies that would otherwise be due the school district under
2 the capital outlay revenue limit until these monies are repaid.

3 1. For purposes of this section, "student capacity" has the same
4 meaning prescribed in section 15-2011.

5 Sec. 9. Section 15-2041, Arizona Revised Statutes, is amended to read:
6 15-2041. New school facilities fund; capital plan

7 A. A new school facilities fund is established consisting of monies
8 appropriated by the legislature and monies credited to the fund pursuant to
9 section 37-221 or 42-5030.01. The school facilities board shall administer
10 the fund and distribute monies, as a continuing appropriation, to school
11 districts for the purpose of constructing new school facilities. On June 30
12 of each fiscal year, ~~the state treasurer shall credit~~ any unobligated in
13 contract monies in the new school facilities fund SHALL BE TRANSFERRED to the
14 capital reserve fund established by section 15-2003.

15 B. The school facilities board shall prescribe a uniform format for
16 use by the school district governing board in developing and annually
17 updating a capital plan that consists of each of the following:

18 1. Enrollment projections for the next five years for elementary
19 schools and eight years for middle and high schools, including a description
20 of the methods used to make the projections.

21 2. A description of new schools or additions to existing schools
22 needed to meet the building adequacy standards prescribed in section 15-2011.
23 The description shall include:

24 (a) The grade levels and the total number of pupils that the school
25 or addition is intended to serve.

26 (b) The year in which it is necessary for the school or addition to
27 begin operations.

28 (c) A timeline that shows the planning and construction process for
29 the school or addition.

30 3. Long-term projections of the need for land for new schools.

31 4. Any other necessary information required by the school facilities
32 board to evaluate a school district's capital plan.

33 C. If the capital plan indicates a need for a new school or an
34 addition to an existing school within the next four years or a need for land
35 within the next ten years, the school district shall submit its plan to the
36 school facilities board and shall request monies from the new school
37 facilities fund for the new construction or land. Monies provided for land
38 shall be in addition to any monies provided pursuant to subsection D of this
39 section.

40 D. The school facilities board shall distribute monies from the new
41 school facilities fund as follows:

42 1. The school facilities board shall review and evaluate the
43 enrollment projections and either approve the projections as submitted or
44 revise the projections. In determining new construction requirements, the
45 school facilities board shall determine the net new growth of pupils that

1 will require additional square footage that exceeds the building adequacy
2 standards prescribed in section 15-2011.

3 2. If the approved projections indicate that additional space will not
4 be needed within the next two years for elementary schools or three years for
5 middle or high schools in order to meet the building adequacy standards
6 prescribed in section 15-2011, the request shall be held for consideration
7 by the school facilities board for possible future funding and the school
8 district shall annually submit an updated plan until the additional space is
9 needed.

10 3. If the approved projections indicate that additional space will be
11 needed within the next two years for elementary schools or three years for
12 middle or high schools in order to meet the building adequacy standards
13 prescribed in section 15-2011, the school facilities board shall provide an
14 amount as follows:

15 (a) Determine the number of pupils requiring additional square footage
16 to meet building adequacy standards. This amount for elementary schools
17 shall not be less than the number of new pupils for whom space will be needed
18 in the next year and shall not exceed the number of new pupils for whom space
19 will be needed in the next five years. This amount for middle and high
20 schools shall not be less than the number of new pupils for whom space will
21 be needed in the next four years and shall not exceed the number of new
22 pupils for whom space will be needed in the next eight years.

23 (b) Multiply the number of pupils determined in subdivision (a) of
24 this paragraph by the square footage per pupil. The square footage per pupil
25 is ninety square feet per pupil for preschool children with disabilities,
26 kindergarten programs and grades one through six, one hundred square feet for
27 grades seven and eight, one hundred thirty-four square feet for a school
28 district that provides instruction in grades nine through twelve for fewer
29 than one thousand eight hundred pupils and one hundred twenty-five square
30 feet for a school district that provides instruction in grades nine through
31 twelve for at least one thousand eight hundred pupils. The total number of
32 pupils in grades nine through twelve in the district shall determine the
33 square footage factor to use for net new pupils. The school facilities board
34 may modify the square footage requirements prescribed in this subdivision for
35 particular schools based on any of the following factors:

36 (i) The number of pupils served or projected to be served by the
37 school district.

38 (ii) Geographic factors.

39 (iii) Grade configurations other than those prescribed in this
40 subdivision.

41 (iv) Compliance with minimum school facility adequacy requirements
42 established pursuant to section 15-2011.

43 (c) Multiply the product obtained in subdivision (b) of this paragraph
44 by the cost per square foot. The cost per square foot is ninety dollars for
45 preschool children with disabilities, kindergarten programs and grades one

1 through six, ninety-five dollars for grades seven and eight and one hundred
2 ten dollars for grades nine through twelve. The cost per square foot shall
3 be adjusted annually for construction market considerations based on an index
4 identified or developed by the joint legislative budget committee as
5 necessary but not less than once each year. The school facilities board
6 shall multiply the cost per square foot by 1.05 for any school district
7 located in a rural area. The school facilities board may modify the base
8 cost per square foot prescribed in this subdivision for particular schools
9 based on geographic conditions or site conditions. For purposes of this
10 subdivision, "rural area" means an area outside a thirty-five mile radius of
11 a boundary of a municipality with a population of more than fifty thousand
12 persons according to the most recent United States decennial census.

13 (d) Once the school district governing board obtains approval from the
14 school facilities board for new facility construction funds, additional
15 portable or modular square footage created for the express purpose of
16 providing temporary space for pupils until the completion of the new facility
17 shall not be included by the school facilities board for the purpose of new
18 construction funding calculations. On completion of the new facility
19 construction project, if the portable or modular facilities continue in use,
20 then the portable or modular facilities shall be included as prescribed by
21 this chapter, unless the school facilities board approves their continued use
22 for the purpose of providing temporary space for pupils until the completion
23 of the next new facility that has been approved for funding from the new
24 school facilities fund.

25 E. Monies for architectural and engineering fees shall be distributed
26 on the completion of the analysis by the school facilities board of the
27 school district's request. After receiving monies pursuant to this
28 subsection, the school district shall submit a design development plan for
29 the school or addition to the school facilities board before any monies for
30 construction are distributed. If the school district's request meets the
31 building adequacy standards, the school facilities board may review and
32 comment on the district's plan with respect to the efficiency and
33 effectiveness of the plan in meeting state square footage and facility
34 standards before distributing the remainder of the monies. The school
35 facilities board may decline to fund the project if the square footage is no
36 longer required due to revised enrollment projections.

37 F. The school facilities board shall distribute the monies needed for
38 land for new schools so that land may be purchased at a price that is less
39 than or equal to fair market value and in advance of the construction of the
40 new school. If necessary, the school facilities board may distribute monies
41 for land to be leased for new schools if the duration of the lease exceeds
42 the life expectancy of the school facility by at least fifty per cent. The
43 proceeds derived through the sale of any land purchased or partially
44 purchased with monies provided by the school facilities board shall be
45 returned to the state fund from which it was appropriated and to any other

1 participating entity on a proportional basis. If a school district acquires
2 real property by donation at an appropriate school site approved by the
3 school facilities board, the school facilities board shall distribute an
4 amount equal to twenty per cent of the fair market value of the donated real
5 property that can be used for academic purposes. The school district shall
6 place the monies in the unrestricted capital outlay fund and increase the
7 unrestricted capital outlay limit by the amount of monies placed in the fund.
8 Monies distributed under this subsection shall be distributed from the new
9 school facilities fund.

10 G. In addition to distributions to school districts based on pupil
11 growth projections, a school district may submit an application to the school
12 facilities board for monies from the new school facilities fund if one or
13 more school buildings have outlived their useful life. If the school
14 facilities board determines that the school district needs to build a new
15 school building for these reasons, the school facilities board shall remove
16 the square footage computations that represent the building from the
17 computation of the school district's total square footage for purposes of
18 this section. If the square footage recomputation reflects that the school
19 district no longer meets building adequacy standards, the school district
20 qualifies for a distribution of monies from the new school construction
21 formula in an amount determined pursuant to subsection D of this section.
22 Buildings removed from a school district's total square footage pursuant to
23 this subsection shall not be included in the computation of monies from the
24 building renewal fund established by section 15-2031. The school facilities
25 board may modify the base cost per square foot prescribed in this subsection
26 under extraordinary circumstances for geographic factors or site conditions.

27 H. School districts that receive monies from the new school facilities
28 fund shall establish a district new school facilities fund and shall use the
29 monies in the district new school facilities fund only for the purposes
30 prescribed in this section. By October 15 of each year, each school district
31 shall report to the school facilities board the projects funded at each
32 school in the previous fiscal year with monies from the district new school
33 facilities fund and shall provide an accounting of the monies remaining in
34 the new school facilities fund at the end of the previous fiscal year.

35 I. If a school district has surplus monies received from the new
36 schools facilities fund, the school district may use the surplus monies for
37 any other capital purpose.

38 Sec. 10. Section 17-289, Arizona Revised Statutes, is amended to read:
39 17-289. Bond proceeds fund; investment

40 A. The proceeds received from the sale and delivery of bonds after
41 deducting the necessary costs and expenses of the issuance and sale of the
42 bonds shall be deposited with the trustee designated by the commission
43 pursuant to section 17-290 to be placed in a bond proceeds fund, which shall
44 be established for each series or issue of bonds. The bond proceeds fund
45 shall be separate and apart from all other funds, except that the trustee

1 shall first apply those amounts of the bond proceeds set forth in the
2 resolution issuing the bonds or notes to all reserve and sinking funds if
3 required by the bond resolution. Monies in the bond proceeds fund may be
4 spent for any game and fish facilities purpose consistent with the resolution
5 authorizing the bonds.

6 B. On order of the commission, all monies in a bond proceeds fund
7 shall be invested by the trustee for the series or issue of bonds in United
8 ~~States treasury obligations, interest bearing United States bonds,~~
9 ~~consolidated farm loan bonds, obligations issued by the federal intermediate~~
10 ~~credit banks, obligations issued by banks for cooperatives on the authority~~
11 ~~of the farm act of 1933, any other obligations guaranteed by the United~~
12 ~~States government~~ OBLIGATIONS ISSUED OR GUARANTEED BY THE UNITED STATES OR
13 ANY OF THE SENIOR DEBT OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS,
14 SPONSORED CORPORATIONS OR INSTRUMENTALITIES or any investments authorized by
15 any other agencies of the United States government which are now authorized
16 for use to secure public deposits or state, county or municipal bonds issued
17 in this state on which the payments of interest have not been deferred. The
18 order directing the trustee to invest the monies shall set forth the
19 specified time when the proceeds from the sale of the bonds shall be used for
20 the purposes directed in the bond resolution, and the trustee shall invest
21 the proceeds from the sale of the bonds, in the securities described in this
22 subsection. If authorized by the commission, the trustee may purchase any
23 of these securities which mature on a date after the date specified in the
24 order if the trustee obtains a commitment to repurchase the securities on the
25 date specified in the order from a bank or financial institution. The
26 trustee shall exercise reasonable care in choosing the bank or financial
27 institution repurchasing the securities.

28 C. The separate game and fish bond proceeds funds for different series
29 of bonds may be held by different trustees designated pursuant to section
30 17-290.

31 D. If the revenues pledged to secure the bonds or any series of the
32 bonds ever become insufficient to pay the annual principal and interest on
33 the bonds, the commission shall direct the liquidation of the securities
34 remaining in the respective bond proceeds fund and order the trustee to use
35 the proceeds of the liquidation to make current all payments then due on the
36 bonds.

37 Sec. 11. Section 28-6546, Arizona Revised Statutes, is amended to
38 read:

39 28-6546. Arizona highway user revenue fund; investment

40 UPON NOTICE FROM THE DIRECTOR, the state treasurer:

41 ~~1. May SHALL invest inactive deposits AND DIVEST MONIES in the Arizona~~
42 ~~highway user revenue fund in United States government bonds or interest~~
43 ~~bearing notes and other interest bearing obligations of the United States for~~
44 ~~which the full faith and credit of the United States are pledged~~ OBLIGATIONS
45 ISSUED OR GUARANTEED BY THE UNITED STATES OR ANY OF THE SENIOR DEBT OF ITS

1 AGENCIES, SPONSORED AGENCIES, CORPORATIONS, SPONSORED CORPORATIONS OR
2 INSTRUMENTALITIES, AND MONIES EARNED FROM INVESTMENT SHALL BE CREDITED TO THE
3 FUND.

4 ~~2. Shall credit all interest earned on monies in the highway user~~
5 ~~revenue fund to the Arizona highway user revenue fund.~~

6 Sec. 12. Section 28-6996, Arizona Revised Statutes, is amended to
7 read:

8 28-6996. State highway fund; investment

9 On notice from the director the state treasurer shall invest and divest
10 monies in the state highway fund ~~as provided by section 28-6546~~ IN
11 OBLIGATIONS ISSUED OR GUARANTEED BY THE UNITED STATES OR ANY OF THE SENIOR
12 DEBT OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS, SPONSORED
13 CORPORATIONS OR INSTRUMENTALITIES, and monies earned from investment shall
14 be credited to the fund.

15 Sec. 13. Section 28-7509, Arizona Revised Statutes, is amended to
16 read:

17 28-7509. Highway bond proceeds fund; investment

18 A. The highway bond proceeds fund is established. After deducting the
19 necessary fees, charges and expenses incurred in the issuance and sale of the
20 bonds and any amounts necessary to provide for the payment of refunded bonds,
21 the department shall promptly deposit, pursuant to sections 35-146 and
22 35-147, the proceeds received from the sale and delivery of the bonds for all
23 purposes in the highway bond proceeds fund. The state treasurer shall
24 maintain the fund separate and apart from all other funds, except that the
25 treasurer shall first apply those amounts of the bond proceeds provided in
26 the resolution issuing the bonds to all reserve and sinking funds created in
27 the bond resolution. The department may spend monies in the highway bond
28 proceeds fund for any lawful purpose not inconsistent with the resolution or
29 resolutions authorizing the bonds.

30 B. The board may order the investment of monies in the highway bond
31 proceeds fund by the state treasurer in any of the following:

32 ~~1. United States treasury obligations.~~

33 ~~2. Consolidated farm loan bonds.~~

34 ~~3. Obligations issued by the federal intermediate credit banks or by~~
35 ~~banks for cooperatives on the authority of the farm credit act of 1933.~~

36 ~~4. Any other obligations guaranteed by the United States government.~~

37 ~~5.~~ 1. OBLIGATIONS ISSUED OR GUARANTEED BY THE UNITED STATES OR ANY
38 OF THE SENIOR DEBT OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS,
39 SPONSORED CORPORATIONS OR INSTRUMENTALITIES AND any investments authorized
40 by any other agencies of the United States government that are now authorized
41 for use to secure public deposits.

42 ~~6.~~ 2. State, county or municipal bonds issued in this state on which
43 the payments of interest have not been deferred.

44 C. The order directing the state treasurer to invest the monies shall
45 set forth the specified time when the proceeds from the sale of the bonds

1 shall be used for the purposes directed in the bond resolution, and the state
2 treasurer shall invest the proceeds from the sale of the bonds in the
3 securities prescribed in subsection B OF THIS SECTION in such a way as to
4 mature at the specified date.

5 D. The board shall use the monies or securities in the highway bond
6 proceeds fund solely for the purposes provided in the bond resolution, except
7 that, if the revenues pledged to secure the bonds ever are insufficient to
8 pay the annual principal and interest on the bonds, the board shall order:

9 1. The liquidation of the securities remaining in the fund.

10 2. The state treasurer to apply all such monies in the fund as
11 necessary to make current all payments then due on the bonds.

12 Sec. 14. Section 28-8101, Arizona Revised Statutes, is amended to
13 read:

14 28-8101. Local transportation assistance fund

15 A. A local transportation assistance fund is established consisting
16 of:

17 1. Monies deposited from the state lottery fund pursuant to section
18 5-522.

19 2. Monies appropriated pursuant to subsection B of this section.

20 3. Monies deposited pursuant to section 28-5808, subsection C.

21 4. Interest earned on local transportation assistance monies as
22 provided in subsection C of this section.

23 B. The legislature shall appropriate an amount that is necessary to
24 provide that the total monies available in the local transportation
25 assistance fund for each fiscal year equal twenty million five hundred
26 thousand dollars.

27 C. The state treasurer shall invest and divest monies in the local
28 transportation assistance fund as provided by section ~~28-6546~~ 35-313, and
29 monies earned from investment shall be credited to the fund.

30 D. A maximum amount of twenty-three million dollars may be deposited
31 in the local transportation assistance fund each fiscal year from the state
32 lottery fund as provided in section 5-522, subsection B.

33 E. A maximum amount of eighteen million dollars may be deposited in
34 the local transportation assistance fund each fiscal year from the state
35 lottery fund as provided in section 5-522, subsection A, paragraphs 3 and 5.

36 Sec. 15. Section 28-8202, Arizona Revised Statutes, is amended to
37 read:

38 28-8202. State aviation fund

39 A. A state aviation fund is established consisting of the following:

40 1. Aviation fuel taxes or motor vehicle fuel taxes deposited by the
41 department.

42 2. Monies deposited by the department as a result of the sale of an
43 abandoned aircraft as defined in section 28-8243 or seized aircraft.

44 3. The amount of flight property tax that the department of revenue
45 has deposited pursuant to section 42-14255.

1 4. Registration fees, license taxes and penalties collected pursuant
2 to article 4 of this chapter.

3 5. Monies received by the department from the operation of airports
4 under this article and articles 2 through 5 of this chapter.

5 B. On notice from the department, the state treasurer shall invest and
6 divest monies in the state aviation fund as provided by section 28-6546
7 35-313, and monies earned from investment shall be credited to the fund.

8 C. The department shall administer monies that are appropriated by the
9 legislature from the state aviation fund.

10 D. The board shall distribute monies appropriated to the department
11 from the state aviation fund for planning, design, development, acquisition
12 of interests in land, construction and improvement of publicly owned and
13 operated airport facilities in counties and incorporated cities and towns.
14 The board shall distribute these monies according to the needs for these
15 facilities as determined by the board. For purposes of this subsection,
16 "publicly owned and operated airport facility" means an airport and
17 appurtenant facilities in which one or more agencies, departments or
18 instrumentalities of this state or a city, town or county of this state holds
19 an interest in the land on which the airport is located that is clear of any
20 reversionary interest, lien, easement, lease or other encumbrance that might
21 preclude or interfere with the possession, use or control of the land for
22 public airport purposes for a minimum period of twenty years.

23 Sec. 16. Section 30-203, Arizona Revised Statutes, is amended to read:

24 30-203. Receipt of monies; disbursements; operation of
25 accounting system; annual audit

26 A. Monies due the authority under agreements for the sale of electric
27 power or other service, proceeds of revenue bond issues or any other
28 obligations may be made payable at the office of the authority. All monies
29 derived from operations of the authority of any nature AND received by any
30 officer, agent or employee of the authority shall be deposited, pursuant to
31 sections 35-146 and 35-147 IN THE ARIZONA POWER AUTHORITY FUND. All
32 operation monies of the authority received shall be accounted for and kept
33 separate from any monies made available to the authority by any legislative
34 appropriation and shall be paid out only in accordance with the regularly
35 adopted authority operation budget on warrants in discharge of claims and
36 obligations approved by the authority commission, signed by the authority
37 chairman and countersigned by the authority director or other duly authorized
38 authority officer.

39 B. The appropriate claim vouchers shall be regularly entered in the
40 operations accounting system of the authority and preserved and exhibited for
41 auditing purposes. The operations accounting system set up by the authority
42 shall conform as nearly as practica~~t~~ PRACTICABLE to the uniform accounting
43 system prescribed for public service corporations.

44 C. The department of administration may at any time examine the books,
45 accounts and vouchers of the authority. On notice from the authority, the

1 state treasurer shall invest and divest monies in the fund as provided by
2 section 35-313, and monies earned from investment shall be credited to the
3 fund.

4 Sec. 17. Section 32-573, Arizona Revised Statutes, is amended to read:

5 32-573. Procedure for disciplinary action; appeal

6 A. The board on its own motion may investigate any information which
7 appears to show the existence of any of the causes set forth in section
8 32-572. The board shall investigate the report of any person which appears
9 to show the existence of any of the causes set forth in section 32-572. A
10 person who reports pursuant to this section and who provides the information
11 in good faith is not subject to liability for civil damages as a result.

12 B. If, after completing its investigation, the board finds that the
13 evidence is not of sufficient seriousness to merit direct action against a
14 license, it may take either of the following actions:

15 1. Dismiss if, in the opinion of the board, the evidence is without
16 merit.

17 2. File a letter of concern if, in the opinion of the board, while
18 there is insufficient evidence to support direct action against the license
19 there is sufficient evidence for the board to notify the licensee that
20 continuation of the activities which led to the information or report being
21 made to the board may result in action against his THE LICENSEE'S license.

22 C. If, in the opinion of the board, it appears the information or
23 report is or may be true, the board shall request an informal interview with
24 the licensee concerned. The interview shall be requested by the board in
25 writing, stating the reasons for the interview and setting a date not less
26 than ten days from the date of the notice for conducting the interview.

27 D. If, after an informal interview, the board finds that the evidence
28 warrants suspension or revocation of a license issued pursuant to this
29 chapter, imposition of a civil penalty or public reproof or if the licensee
30 under investigation refuses to attend the informal interview, a complaint
31 shall be issued and formal proceedings shall be initiated. All proceedings
32 pursuant to this subsection shall be conducted in accordance with title 41,
33 chapter 6, article 10.

34 E. A licensee who has been notified pursuant to subsection D of this
35 section of charges pending against the licensee shall file with the board an
36 answer in writing to the charges not more than thirty days after the licensee
37 receives the complaint. If the licensee fails to answer in writing within
38 this time, it is deemed an admission by the licensee of the acts charged in
39 the complaint and the board may take disciplinary action allowed by this
40 chapter without a hearing.

41 F. If the board finds that the evidence is not of sufficient
42 seriousness to merit suspension or revocation of a license issued pursuant
43 to this chapter, imposition of a civil penalty or public reproof it may take
44 the following actions:

1 1. Dismiss if, in the opinion of the board, the evidence is without
2 merit.

3 2. File a letter of concern if, in the opinion of the board, while
4 there is insufficient evidence to support direct action against the license
5 there is sufficient evidence for the board to notify the licensee that
6 continuation of the activities which led to the information or report being
7 made to the board may result in action against the licensee's license.

8 3. Impose probation requirements.

9 G. If a licensee violates this chapter or a rule adopted pursuant to
10 this chapter, the board may assess the licensee with the board's reasonable
11 costs and expenses incurred in conducting the investigation and
12 administrative hearing. All monies collected pursuant to this subsection
13 shall be ~~transmitted to the state treasurer for deposit~~ DEPOSITED, PURSUANT
14 TO SECTIONS 35-146 AND 35-147, in a separate account in the board of
15 cosmetology fund established by section 32-505. The board may only use these
16 monies to defray its expenses in connection with an investigation and an
17 administrative hearing. Notwithstanding section 35-143.01 the separate
18 account monies may be spent without legislative appropriation.

19 H. Except as provided in section 41-1092.08, subsection H, final
20 decisions of the board are subject to judicial review pursuant to title 12,
21 chapter 7, article 6.

22 Sec. 18. Section 32-1129.02, Arizona Revised Statutes, is amended to
23 read:

24 32-1129.02. Performance and payment by contractor,
25 subcontractor or material supplier; conditions;
26 interest

27 A. Notwithstanding the other provisions of this section, performance
28 by a contractor, subcontractor or material supplier in accordance with the
29 provisions of a construction contract entitles the contractor, subcontractor
30 or material supplier to payment from the party with whom the contractor,
31 subcontractor or material supplier contracts.

32 B. If a subcontractor or material supplier has performed in accordance
33 with the provisions of a construction contract, the contractor shall pay to
34 its subcontractors or material suppliers and each subcontractor shall pay to
35 its subcontractors or material suppliers, within seven days of receipt by the
36 contractor or subcontractor of each progress payment or final payment, the
37 full amount received for such subcontractor's work and materials supplied
38 based on work completed or materials supplied under the subcontract. Payment
39 shall not be required pursuant to this subsection unless the subcontractor
40 or material supplier provides to the contractor or subcontractor a billing
41 or invoice for the work performed or material supplied in compliance with the
42 terms of the contract between the parties. Each subcontractor or material
43 supplier shall provide a waiver of any mechanic's or materialman's lien
44 conditioned upon payment for the work completed or material supplied. The
45 contractor or subcontractor may require that such conditional waivers of lien

1 be notarized. Any diversion by the contractor or subcontractor of payments
2 received for work performed pursuant to a contract, or failure to reasonably
3 account for the application or use of such payments, constitutes grounds for
4 disciplinary action by the registrar of contractors. Violations of this
5 section shall be grounds for suspension or revocation of a license or other
6 disciplinary action by the registrar pursuant to section 32-1154, subsections
7 B, C and D. The subcontractor or material supplier may notify the registrar
8 of contractors and the owner in writing of any payment less than the amount
9 or percentage approved for the class or item of work as set forth in this
10 section.

11 C. Nothing in this section prevents the contractor or subcontractor,
12 at the time of application or certification to the owner or contractor, from
13 withholding such application or certification to the owner or contractor for
14 payment to the subcontractor or material supplier for unsatisfactory job
15 progress, defective construction work or material not remedied, disputed
16 work, failure to comply with other material provisions of the construction
17 contract, third party claims filed or reasonable evidence that a claim will
18 be filed, failure of the subcontractor to make timely payments for labor,
19 equipment and materials, damage to a contractor or another subcontractor or
20 material supplier, reasonable evidence that the subcontract cannot be
21 completed for the unpaid balance of the subcontract sum or a reasonable
22 amount for retention that does not exceed the actual percentage retained by
23 the owner.

24 D. If a periodic or final payment to a subcontractor or material
25 supplier is delayed by more than seven days after receipt of periodic or
26 final payment by the contractor or subcontractor, the contractor or
27 subcontractor shall pay its subcontractor or material supplier interest,
28 except for periods of time during which payment is withheld pursuant to
29 subsection C of this section, beginning on the eighth day, at the rate of one
30 and one-half per cent per month or a fraction of a month on the unpaid
31 balance or at such higher rate as the parties agree.

32 E. Any licensed contractor, licensed subcontractor or material
33 supplier who files a complaint with the registrar of contractors under this
34 section shall be required to post a surety bond or cash deposit of five
35 hundred dollars or one-half of the amount due, whichever is less, with the
36 registrar to secure the payment of claims under this section. If the
37 complaint is determined by the registrar to be without merit and frivolous,
38 the registrar shall order the person who filed the complaint to pay one-half
39 of the amount of the required surety bond or cash deposit to the respondent
40 and one-half to the registrar for deposit into the state general fund. If
41 no claim may be made under this section against the surety bond or cash
42 deposit, the surety bond or cash deposit shall be returned to the
43 complainant. The surety bond or cash deposit shall be in the name of the
44 licensee or material supplier who files the complaint and shall be subject
45 to claims by the registrar of contractors and the respondent licensee as

provided in this section. The surety bond or cash deposit shall be conditioned upon and provide for payment upon the presentation of a certified copy of the order of the registrar and a certification by the complainant of nonpayment within thirty days after the order becomes final. The surety bond shall be executed by the complainant as principal with a corporation duly authorized to transact surety business in this state. Evidence of the surety bond shall be submitted to the registrar in a form acceptable to the registrar. The cash deposit shall be deposited, pursuant to sections 35-146 and 35-147, by the registrar for deposit in the contractors prompt pay complaint fund and shall be held for the payment of claims.

F. In any action or arbitration brought to collect payments or interest pursuant to this section, the successful party shall be awarded costs and attorney fees in a reasonable amount.

Sec. 19. Section 35-312, Arizona Revised Statutes, is amended to read:

35-312. Eligible depositories; collateral

~~A. The state treasurer shall invest treasury monies in securities and deposits as provided in this section. The state treasurer shall offer eligible depositories the opportunity to bid competitively on available treasury monies. Investments that may be purchased from eligible depositories include:~~

- ~~1. Certificates of deposit.~~
- ~~2. Repurchase agreements.~~
- ~~3. Interest bearing savings accounts.~~

~~B. All treasury monies investments shall be purchased from the eligible depository making the highest bid. The state treasurer may not award funds to eligible depositories at a rate less than that available on those securities of a similar maturity listed in section 35-313.~~

~~C. If two or more eligible depositories submit bids of an identical rate of interest for all or any portion of the monies to be invested, the award of the monies shall be divided equally among those depositories if none of the eligible depositories agrees to raise its bid.~~

~~D. Each bid submitted, and not withdrawn prior to the time specified, constitutes an irrevocable offer to pay interest as specified in the bid on the deposit, or portion bid for, and the award of a deposit in accordance with this section obligates the depository to accept the deposit and pay interest as specified in the bid pursuant to which the deposit is awarded.~~

~~E. The state treasurer shall maintain a record of all bids received and shall make available to the state board of investment and the public a correct list showing the bidders, the bids received and the amount awarded. These records shall be kept in the possession of the state treasurer for not less than two years from the date of the bid.~~

~~F. A. Any eligible depository that receives an investment or any deposit of treasury monies in excess of the amount insured by an instrumentality of the United States shall collateralize those deposits with any of the following:~~

1 1. Securities listed in section 35-313, subsection A, paragraphs 1,
2 AND 3, ~~4 and 5.~~

3 2. State treasurer's warrant notes.

4 3. The safekeeping receipt of a federal reserve bank or any bank
5 located in a reserve city, or any bank authorized to do business in this
6 state, whose combined capital, surplus and outstanding capital notes and
7 debentures on the date of the safekeeping receipt are one hundred million
8 dollars or more, evidencing the deposit therein of any securities or
9 instruments described in this section. A safekeeping receipt shall not
10 qualify as security, if issued by a bank to secure its own public deposits,
11 unless issued directly through its trust department. The safekeeping receipt
12 shall show upon its face that it is issued for the account of the state
13 treasurer and shall be delivered to the state treasurer.

14 ~~G.~~ B. The securities, warrants or safekeeping receipt for those items
15 shall be accepted at market value equal to one hundred two per cent of the
16 deposit liability to the state treasurer, and, if at any time their market
17 value becomes less than one hundred two per cent of the deposit liability to
18 the state treasurer, additional items required to guarantee deposits shall
19 be deposited immediately with the state treasurer by the eligible depository.
20 When items pledged as collateral mature or are called for redemption, the
21 cash received for the item shall be held in place of the items until the
22 eligible depository has obtained a written release or provided substitute
23 securities, instruments or warrants.

24 ~~H.~~ C. The deposit of securities, warrants or a safekeeping receipt
25 must be such that the eligible depository will promptly pay to the state
26 treasurer monies in its custody, upon lawful demand, and will, when required
27 by law, pay the monies to the state treasurer.

28 ~~I.~~ D. The securities, warrants or safekeeping receipt of an eligible
29 depository shall be deposited with the state treasurer, and ~~he shall be~~ THE
30 STATE TREASURER IS the custodian of those items. The state treasurer may
31 then deposit with the eligible depository monies then in his possession in
32 accordance with this article.

33 ~~J.~~ E. Eligible depositories shall report to the state treasurer
34 monthly and upon demand the par and market value of any pledged collateral
35 and the total deposits of the state treasurer.

36 ~~K. Treasury monies not awarded under subsection A of this section may~~
37 ~~be invested in those items listed in section 35-313.~~

38 Sec. 20. Section 35-313, Arizona Revised Statutes, is amended to read:
39 35-313. Investment of trust and treasury monies; loan of
40 securities

41 A. The state treasurer shall invest and reinvest trust AND TREASURY
42 monies in any of the following items:

43 1. Obligations issued or guaranteed by the United States or any of its
44 agencies, sponsored agencies, corporations, sponsored corporations or
45 instrumentalities.

1 2. Collateralized repurchase agreements purchased from securities
2 dealers that make markets in those securities listed in paragraph 1.

3 3. Bonds or other evidences of indebtedness of this state or any of
4 the counties or incorporated cities, towns or duly organized school
5 districts.

6 ~~4. Bonds, notes or other evidences of indebtedness of any county,
7 municipal or municipal district utility within this state which are payable
8 from revenues or earnings specifically pledged for the payment of the
9 principal and interest on the obligations, and for the payment of which a
10 lawful sinking fund or reserve fund has been established and is being
11 maintained, but only if no default in payment on principal or interest on the
12 obligations to be purchased has occurred within five years of the date of
13 investment, or if such obligations were issued less than five years prior to
14 the date of investment, no default in payment of principal or interest has
15 occurred on the obligations to be purchased nor any other obligations of the
16 issuer within five years of the investment.~~

17 ~~5. Bonds, notes or other evidences of indebtedness issued by any
18 municipal improvement district in this state to finance local improvements
19 authorized by law, if the principal and interest of the obligations are
20 payable from assessments on real property within the local improvement
21 district. An investment shall not be made if the face value of all such
22 obligations, and similar obligations outstanding, exceeds fifty per cent of
23 market value of the real property, and improvements upon which the bonds or
24 the assessments for the payment of principal and interest on the bonds are
25 liens inferior only to the liens for general ad valorem taxes. An investment
26 shall not be made if a default in payment of principal or interest on the
27 obligations to be purchased has occurred within five years of the date of
28 investment, or, if the obligations were issued less than five years prior to
29 the date of investment, a default in payment of principal or interest has
30 occurred on the obligations to be purchased or on any other obligation of the
31 issuer within five years of the investment.~~

32 ~~6. 4. Commercial paper of prime quality as determined by Moody's
33 investors service or its successor WHOSE ISSUER IS RATED IN ONE OF THE TWO
34 HIGHEST RATING CATEGORIES FOR SHORT-TERM OBLIGATIONS BY ANY TWO NATIONALLY
35 RECOGNIZED STATISTICAL RATING ORGANIZATIONS.~~

36 ~~7. 5. Bills of exchange or time drafts known as bankers acceptances
37 which are drawn on and accepted by a commercial bank.~~

38 ~~8. 6. Negotiable certificates of deposit issued by a nationally or
39 state chartered bank or savings and loan association.~~

40 ~~9. 7. Bonds, debentures, notes or other evidences of indebtedness
41 which are issued by entities organized and doing business in the United
42 States and which carry as a minimum one of the Baa ratings of Moody's
43 investors service or one of the BBB ratings of Standard and Poor's rating
44 service or their successors.~~

1 ~~10.~~ 8. Securities of or any other interests in any open-end or
2 closed-end management type investment company or investment trust registered
3 under the investment company act of 1940 (54 Stat. 789; 15 United States Code
4 sections 80a-1 through 80a-64), as amended, if both of the following apply:

5 (a) The investment company or investment trust takes delivery of the
6 collateral for any repurchase agreement either directly or through an
7 authorized custodian.

8 (b) The investment policy of the investment company or investment
9 trust includes seeking to maintain a constant share price.

10 ~~11. Any of the investments authorized by section 35-312.~~

11 ~~12.~~ 9. Certificates of deferred property taxes as provided by section
12 42-17309.

13 ~~13.~~ 10. Treasurer's warrant notes issued pursuant to section 35-185.01
14 or registered warrants of a county issued pursuant to section 11-605, if the
15 yield is equal to or greater than yields on eligible investment instruments
16 of comparable maturities.

17 ~~14.~~ 11. Shares in the treasurer's local government investment pools
18 provided that investment policies of the pool seek to maintain a constant
19 share price.

20 ~~15.~~ 12. Subject to subsection D of this section, state transportation
21 board funding obligations delivered pursuant to section 28-7678.

22 B. In case of default or failure to honor a county treasurer's
23 warrant, the state treasurer may withhold the first state shared revenues
24 that would otherwise be distributed to the defaulting county in the amount
25 necessary to honor the note including accrued interest to and beyond the date
26 of default.

27 C. The state treasurer may contract to loan securities owned by the
28 trust funds and operating monies deposited in the investment pools pursuant
29 to section 35-316, subsection B to the financial or dealer community through
30 one or more of the entities listed in section 35-317, subsection A, or
31 authorized by the board of investment pursuant to section 35-311, subsection
32 E, if the borrower transfers collateral to the state treasurer or acting
33 agent of the state in the form of cash or securities specified in subsection
34 A of this section ~~or section 35-312, subsection A~~. Collateral posted in the
35 form of cash shall be in an amount equal to at least one hundred per cent of
36 the market value of the loaned securities as agreed. Collateral posted in
37 the form of securities shall be in an amount of no more than one hundred ten
38 per cent of the market value of the loaned securities as established from
39 time to time by the board of investment. The loaned securities shall be
40 valued as to market value daily, and, if necessary, the borrower shall post
41 additional collateral, as agreed, to ensure that the required margin is
42 maintained. The state treasurer may collect from the borrower all dividends,
43 interest, premiums, rights and other distributions to which the lender of
44 securities would otherwise be entitled. The state treasurer may terminate
45 the contract on not less than five business days' notice, as agreed, and the

borrower may terminate the contract on not less than two business days' notice, as agreed.

D. The state treasurer shall invest operating monies in state transportation board funding obligations delivered pursuant to section 28-7678. The state treasurer shall liquidate investments of operating monies if necessary in order to invest in state transportation board funding obligations, except that if operating monies in the state general fund fall below an eight hundred million dollar average over the previous twelve consecutive months, the state treasurer is not required to purchase state transportation board funding obligations pursuant to this subsection. Each series of state transportation board funding obligations shall bear interest at a fixed interest rate equal to the mean bid-ask price of the United States treasury obligation with a maturity date closest to the maturity date of the state transportation board funding obligation as published most recently in the Wall Street Journal before the date the state treasurer receives a certificate from the state transportation board that states the board's determination to deliver an obligation to the state treasurer and the anticipated delivery date of the obligation. The delivery date shall be between fifteen and sixty days after the day the state treasurer receives the certificate.

Sec. 21. Repeal

Section 35-314, Arizona Revised Statutes, is repealed.

Sec. 22. Title 35, chapter 2, article 2, Arizona Revised Statutes, is amended by adding a new section 35-314, to read:

35-314. Equity investment of trust and treasury monies;
definition

A. THE STATE TREASURER MAY INVEST AND REINVEST MONIES IN EQUITY SECURITIES FOR ANY FUND FOR WHICH EQUITY INVESTMENT IS AUTHORIZED.

B. THE STATE TREASURER SHALL EXERCISE PRUDENCE, JUDGMENT AND CARE UNDER THE PREVAILING CIRCUMSTANCES WHEN INVESTING IN EQUITY SECURITIES AND MAY REDUCE THE PORTION OF EQUITY SECURITIES HELD BY ANY FUND IN ORDER TO AVOID A REDUCTION IN CURRENT RETURN ON INVESTMENTS.

C. EQUITY SECURITIES THAT ARE ELIGIBLE FOR PURCHASE ARE RESTRICTED TO STOCKS LISTED ON ANY NATIONAL STOCK EXCHANGE OR ELIGIBLE FOR TRADING THROUGH THE UNITED STATES NATIONAL ASSOCIATION OF SECURITIES DEALERS AUTOMATED QUOTATION SYSTEM, OR SUCCESSOR INSTITUTIONS, EXCEPT AS MAY BE PROHIBITED BY GENERAL CRITERIA OR BY A RESTRICTION ON INVESTMENT IN A SPECIFIC SECURITY ADOPTED PURSUANT TO THIS SECTION.

D. NOT MORE THAN FIVE PER CENT OF A FUND AT COST MAY BE INVESTED IN EQUITY SECURITIES ISSUED BY THE SAME INSTITUTION, AGENCY OR CORPORATION, OTHER THAN SECURITIES ISSUED AS DIRECT OBLIGATIONS OF AND FULLY GUARANTEED BY THE UNITED STATES GOVERNMENT OR ANY OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS, SPONSORED CORPORATIONS OR INSTRUMENTALITIES.

1 E. FOR PURPOSES OF THIS SECTION "EQUITY SECURITIES" MEANS SHARES OF
2 STOCK, CERTIFICATES OF STOCK OR ANY OTHER EVIDENCE OF EQUITY INTEREST IN A
3 CORPORATION.

4 Sec. 23. Section 35-314.01, Arizona Revised Statutes, is amended to
5 read:

6 35-314.01. Permanent state land fund monies; investment

7 A. In addition to the investment authority in sections ~~35-312~~, SECTION
8 35-313 and ~~35-314~~, the state treasurer may invest and reinvest monies of the
9 state land funds established in sections 37-521 through 37-525 in interest
10 bearing and equity securities PURSUANT TO SECTION 35-314, except that not
11 more than sixty per cent of the monies in each of the funds may be invested
12 in equity securities at any time. THE PERCENTAGE OF INVESTMENT SHALL BE
13 CALCULATED AT COST.

14 ~~B. The treasurer shall exercise prudence, judgment and care under the~~
15 ~~prevailing circumstances when investing in equity securities, and may reduce~~
16 ~~the portion of equity securities in order to avoid a reduction in current~~
17 ~~return on investments.~~

18 ~~C. For purposes of this section, "equity securities" means shares of~~
19 ~~stock, certificates of stock or other evidence of equity interest in a~~
20 ~~corporation.~~

21 Sec. 24. Section 35-314.02, Arizona Revised Statutes, is amended to
22 read:

23 35-314.02. Budget stabilization fund monies; investment

24 A. In addition to the investment authority in sections ~~35-312~~, SECTION
25 35-313 and ~~35-314~~, the state treasurer may invest and reinvest monies of the
26 budget stabilization fund established in section 35-144 in interest bearing
27 and equity securities PURSUANT TO SECTION 35-314, except that not more than
28 twenty-five per cent of the monies may be invested in equity securities at
29 any time. THE PERCENTAGE OF INVESTMENT SHALL BE CALCULATED AT COST.

30 ~~B. The treasurer shall exercise prudence, judgment and care under the~~
31 ~~prevailing circumstances when investing in equity securities, and may reduce~~
32 ~~the portion of equity securities in order to avoid a reduction in current~~
33 ~~return on investments.~~

34 ~~C. For purposes of this section "equity securities" means shares of~~
35 ~~stock, certificates of stock or other evidence of equity interest in a~~
36 ~~corporation.~~

37 Sec. 25. Section 35-323, Arizona Revised Statutes, is amended to read:

38 35-323. Investing public monies; bidding; security and other
39 requirements

40 A. The treasurer shall invest and reinvest public monies in securities
41 and deposits with a maximum maturity of three years. All public monies shall
42 be invested in eligible investments. Eligible investments are:

43 1. Certificates of deposit in eligible depositories.

44 2. Interest bearing savings accounts in banks and savings and loan
45 institutions doing business in this state whose accounts are insured by

1 federal deposit insurance for their industry, but only if deposits in excess
2 of the insured amount are secured by the eligible depository to the same
3 extent and in the same manner as required under this article.

4 3. Repurchase agreements with a maximum maturity of one hundred eighty
5 days.

6 4. The pooled investment funds established by the state treasurer
7 pursuant to section 35-326.

8 ~~5. Bonds or other evidences of indebtedness of the United States or~~
9 ~~any of its agencies or instrumentalities if the obligations are guaranteed~~
10 ~~as to principal and interest by the United States or by any agency or~~
11 ~~instrumentality of the United States.~~

12 5. OBLIGATIONS ISSUED OR GUARANTEED BY THE UNITED STATES OR ANY OF THE
13 SENIOR DEBT OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS, SPONSORED
14 CORPORATIONS OR INSTRUMENTALITIES.

15 6. Bonds or other evidences of indebtedness of this state or any of
16 its counties, incorporated cities or towns or school districts.

17 7. Bonds, notes or evidences of indebtedness of any county, municipal
18 district, municipal utility or special taxing district within this state that
19 are payable from revenues, earnings or a special tax specifically pledged for
20 the payment of the principal and interest on the obligations, and for the
21 payment of which a lawful sinking fund or reserve fund has been established
22 and is being maintained, but only if no default in payment on principal or
23 interest on the obligations to be purchased has occurred within five years
24 of the date of investment, or, if such obligations were issued less than five
25 years before the date of investment, no default in payment of principal or
26 interest has occurred on the obligations to be purchased nor any other
27 obligations of the issuer within five years of the investment.

28 8. Bonds, notes or evidences of indebtedness issued by any county
29 improvement district or municipal improvement district in this state to
30 finance local improvements authorized by law, if the principal and interest
31 of the obligations are payable from assessments on real property within the
32 improvement district. An investment shall not be made if:

33 (a) The face value of all such obligations, and similar obligations
34 outstanding, exceeds fifty per cent of the market value of the real property,
35 and if improvements on which the bonds or the assessments for the payment of
36 principal and interest on the bonds are liens inferior only to the liens for
37 general ad valorem taxes.

38 (b) A default in payment of principal or interest on the obligations
39 to be purchased has occurred within five years of the date of investment, or,
40 if the obligations were issued less than five years before the date of
41 investment, a default in the payment of principal or interest has occurred
42 on the obligations to be purchased or on any other obligation of the issuer
43 within five years of the investment.

44 B. Certificates of deposit shall be purchased from the eligible
45 depository bidding the highest permissible rate of interest. No monies over

1 one hundred thousand dollars may be awarded at any interest rate less than
2 one hundred three per cent of the equivalent bond yield of the offer side of
3 United States treasury bills having a similar term. If the eligible
4 depository offering to pay the highest rate of interest has bid only for a
5 portion of the monies to be awarded, the remainder of the monies shall be
6 awarded to eligible depositories bidding the next highest rates of interest.

7 C. An eligible depository is not eligible to receive total aggregate
8 deposits from this state and all its subdivisions in an amount exceeding
9 twice its capital structure as outlined in the last call of condition of the
10 superintendent of banks.

11 D. If two or more eligible depositories submit bids of an identical
12 rate of interest for all or any portion of the monies to be deposited, the
13 award of the deposit of the monies shall be made to the eligible depository
14 among those submitting identical bids having, at the time of the bid opening,
15 the lowest ratio of total public deposits in relation to its capital
16 structure.

17 E. Each bid submitted, and not withdrawn prior to the time specified,
18 constitutes an irrevocable offer to pay interest as specified in the bid on
19 the deposit, or portion bid for, and the award of a deposit in accordance
20 with this section obligates the depository to accept the deposit and pay
21 interest as specified in the bid pursuant to which the deposit is awarded.

22 F. The treasurer shall maintain a record of all bids received and
23 shall make available to the board of deposit at its next regularly scheduled
24 meeting a correct list showing the bidders, the bids received and the amount
25 awarded. These records shall be available to the public and shall be kept
26 in the possession of the treasurer for not less than two years from the date
27 of the report.

28 G. Any eligible depository, before receiving a deposit in excess of
29 the insured amount under this article, shall deliver collateral for the
30 purposes of this subsection equal to at least one hundred one per cent of the
31 deposit. The collateral shall be any of the following:

32 1. A bond executed by a surety company that is approved by the
33 treasury department of the United States and authorized to do business in
34 this state. The bond shall be approved as to form by the legal advisor of
35 the treasurer.

36 2. Securities or instruments of the following character:

37 (a) United States government or agency obligations.

38 (b) State, county, school district and other district municipal bonds.

39 (c) Registered warrants of this state, a county or other political
40 subdivisions of this state, when offered as security for monies of the state,
41 county or political subdivision by which they are issued.

42 (d) First mortgages and trust deeds on improved, unencumbered real
43 estate located in this state. No single first mortgages or trust deeds may
44 represent more than ten per cent of the total collateral. The treasurer may
45 require that the first mortgages or trust deeds comprising the total

1 collateral security be twice the amount the eligible depository receives on
2 deposit. First mortgages or trust deeds qualify as collateral subject to the
3 following limitations:

4 (i) The promissory note or other evidences of indebtedness secured by
5 such first mortgage or trust deed shall have been in existence for at least
6 three years and shall not have been in default during this period.

7 (ii) An eligible depository shall at its own expense execute, deposit
8 with the treasurer and record with the appropriate county recorder a complete
9 sale and assignment with recourse in a form approved by the attorney general,
10 together with an unconditional assumption of obligation to promptly pay to
11 the entitled parties public monies in its custody upon lawful demand and
12 tender of resale and assignment.

13 Eligible depositories may deposit the security described in this subdivision
14 with the state treasurer, and county, city or town treasurers may accept the
15 security described in this subdivision at their option.

16 3. The safekeeping receipt of a federal reserve bank or any bank
17 located in a reserve city, or any bank authorized to do business in this
18 state, whose combined capital, surplus and outstanding capital notes and
19 debentures on the date of the safekeeping receipt are ten million dollars or
20 more, evidencing the deposit therein of any securities or instruments
21 described in this section. A safekeeping receipt shall not qualify as
22 security, if issued by a bank to secure its own public deposits, unless
23 issued directly through its trust department. The safekeeping receipt shall
24 show upon its face that it is issued for the account of the treasurer and
25 shall be delivered to the treasurer. The safekeeping receipt may provide for
26 the substitution of securities or instruments which qualify under this
27 section with the affirmative act of the treasurer.

28 H. The securities, instruments or safekeeping receipt for the
29 securities, instruments or warrants shall be accepted at market value if not
30 above par, and, if at any time their market value becomes less than the
31 deposit liability to that treasurer, additional securities or instruments
32 required to guarantee deposits shall be deposited immediately with the
33 treasurer who made the deposit and deposited by the eligible depository in
34 which the deposit was made.

35 I. The condition of the surety bond, or the deposit of securities,
36 instruments or a safekeeping receipt, must be such that the eligible
37 depository will promptly pay to the parties entitled public monies in its
38 custody, upon lawful demand, and will, when required by law, pay the monies
39 to the treasurer making the deposit.

40 J. Notwithstanding the requirements of this section, any institution
41 qualifying as an eligible depository may accept deposits of public monies to
42 the total then authorized insurance of accounts, insured by federal deposit
43 insurance, without depositing a surety bond or securities in lieu of the
44 surety bond.

1 K. An eligible depository shall report monthly to the treasurer the
2 total deposits of that treasurer and the par value and the market value of
3 any pledged collateral securing those deposits.

4 L. When a security or instrument pledged as collateral matures or is
5 called for redemption, the cash received for the security or instrument shall
6 be held in place of the security until the depository has obtained a written
7 release or provided substitute securities or instruments.

8 M. The surety bond, securities, instruments or safekeeping receipt of
9 an eligible depository shall be deposited with the treasurer making the
10 deposit, and he shall be the custodian of the bond, securities, instruments
11 or safekeeping receipt. The treasurer may then deposit with the depository
12 public monies then in his possession in accordance with this article, but not
13 in an amount in excess of the surety bond, securities, instruments or
14 safekeeping receipt deposited, except for federal deposit insurance.

15 N. The following restrictions on investments are applicable:

16 1. An investment of public operating fund monies shall not be invested
17 for a duration of longer than three years.

18 2. The board of deposit may order the treasurer to sell any of the
19 securities, and any order shall specifically describe the securities and fix
20 the date upon which they are to be sold. Securities so ordered to be sold
21 shall be sold for cash by the treasurer on the date fixed in the order, at
22 the then current market price. The treasurer and the members of the board
23 are not accountable for any loss occasioned by sales of securities at prices
24 lower than their cost. Any loss or expense shall be charged against earnings
25 received from investment of public funds.

26 O. If the total amount of subdivision monies available for deposit at
27 any time is less than one hundred thousand dollars, the subdivision board of
28 deposit shall award the deposit of the funds to an eligible depository in
29 accordance with an ordinance or resolution of the governing body of the
30 subdivision.

31 Sec. 26. Section 35-468, Arizona Revised Statutes, is amended to read:

32 35-468. Definitions

33 In this article, unless the context otherwise requires:

34 1. "Bond" means a bond authorized and issued under this article.

35 2. "Political subdivision" means any county, school district,
36 community college district or special taxing district organized under title
37 48 in which remote municipal property, as defined in section 42-15251, is
38 located.

39 3. "Water transportation revenues" means monies received by a
40 political subdivision pursuant to section 42-5030 9-433.

41 Sec. 27. Section 35-468.01, Arizona Revised Statutes, is amended to
42 read:

43 35-468.01. Bonds secured by water transportation revenues

44 A. If a majority of the electors of a political subdivision voting at
45 an election held pursuant to either article 3 of this chapter or title 15,

1 chapter 4, article 5 authorizes the issuance of bonds, the political
2 subdivision may issue the bonds so authorized either in the manner provided
3 in this article or the manner prescribed by the article under which the
4 election was authorized.

5 B. Bonds having an aggregate principal sum that exceeds the political
6 subdivision's debt limit as set forth in article IX, section 8, Constitution
7 of Arizona, may nonetheless be issued pursuant to this section if an amount
8 equal to all principal in excess of the debt limit and all interest on that
9 portion of principal is payable solely from water transportation revenues
10 pledged by the political subdivision to payment of principal and interest on
11 the bonds.

12 C. On sale of the bonds, a schedule shall be filed with the treasurer
13 of the issuer showing the amounts of principal and interest to be paid at
14 each principal and interest payment date. The schedule shall prorate each
15 payment between the amounts to be paid from taxes and the amounts paid from
16 water transportation revenues. The governing body may use any reasonable
17 method of allocation as long as the total principal amount to be paid from
18 ad valorem taxes computed as of the date of initial issuance of the bonds
19 does not exceed the political subdivision's debt limit.

20 D. The political subdivision may pledge all or any part of the water
21 transportation revenues it will thereafter receive to the payment of an
22 amount of the debt service on the bonds equal to the principal and interest
23 on the bonds that are not payable from taxes. This pledge constitutes an
24 irrevocable assignment to the officer charged with paying the bonds that is
25 binding on the political subdivision. No notice of the assignment need be
26 filed or recorded and no public notice of any nature is required to make the
27 pledge effective against any person claiming an interest in the water
28 transportation revenues except a holder of the bonds. On receipt of any
29 payment of water transportation revenues, the officer shall cause a
30 sufficient portion of the amount received to be deposited in the redemption
31 fund and interest fund established under section 35-468.03 pertaining to the
32 bonds.

33 E. No bondholder may claim a preference as to source of payment over
34 any other bondholder of the same series.

35 F. Neither a bondholder nor a political subdivision has any right or
36 claim to receive payment from a city or town that makes payments to the state
37 treasurer relating to remote municipal property under title 9, chapter 4,
38 article 3.

39 Sec. 28. Section 36-798.05, Arizona Revised Statutes, is amended to
40 read:

41 36-798.05. Unsolicited delivery of tobacco products; violation;
42 classification; civil penalties; definitions

43 A. It is unlawful for a person to deliver or cause to be delivered to
44 any residence in this state any tobacco products unsolicited by at least one
45 adult who resides at that address.

1 B. A person who knowingly violates subsection A of this section is
2 guilty of a class 2 misdemeanor.

3 C. A person who violates subsection A of this section is subject to
4 a civil penalty in an amount of not to exceed five thousand dollars for each
5 violation. Each delivery of a tobacco product shall constitute a separate
6 violation.

7 D. The attorney general may bring an action to recover civil penalties
8 and as determined by the court, taxable costs, such other fees and expenses
9 reasonably incurred and reasonable attorney fees, in the name of the state
10 for a violation of this section. All civil penalties recovered shall be
11 deposited, PURSUANT TO SECTIONS 35-146 AND 35-147, in the state general fund
12 and all other monies recovered shall be deposited, PURSUANT TO SECTIONS
13 35-146 AND 35-147, in the antitrust enforcement revolving fund established
14 by section 41-191.02.

15 E. In this section, unless the context otherwise requires:

16 1. "Knowingly" has the same meaning as defined PRESCRIBED in section
17 13-105.

18 2. "Person" means an individual, partnership, firm, association,
19 corporation, limited liability company, limited liability partnership, joint
20 venture, or other entity, other than an individual or entity engaged in the
21 delivery of items for hire.

22 Sec. 29. Section 41-172, Arizona Revised Statutes, is amended to read:

23 41-172. Duties; administering oaths; appointment of deputy
24 state treasurer

25 A. The state treasurer shall:

26 1. Authenticate writings and documents certified by him with the seal
27 of his office.

28 2. Receive and keep securely in his custody all monies that belong to
29 the state and that are not required to be received and kept by some other
30 person.

31 3. File and keep the documentation delivered to the treasurer when
32 monies are deposited into the treasury.

33 4. Deliver to each person depositing money into the treasury a receipt
34 showing the amount, the source from which the money accrued, and the funds
35 into which it is deposited, and shall number such receipts in order,
36 beginning with number one at the commencement of each fiscal year, and
37 deliver a duplicate thereof to the department of administration.

38 5. Pay warrants drawn by the department of administration in the order
39 in which they are presented, and take upon the back thereof the receipt of
40 the person to whom it is paid.

41 6. Keep an account of all monies received and disbursed, and keep
42 separate accounts of the different funds and appropriations of money.

43 7. Give information in writing as to the condition of the state
44 treasury, or upon any subject relating to the duties of the treasurer, at the
45 request of a member of the legislature.

1 8. Deliver to the governor and the department of administration,
2 monthly, an accurate statement of receipts and expenditures of public monies
3 for the preceding month, containing a complete exhibit of all the public
4 monies received and paid from the state treasury, showing, under separate
5 heads, on what accounts and from what sources received, and for what
6 particular object or service the monies have been paid. The treasurer shall
7 deliver to the governor a similar statement on or before November 1 each year
8 for the preceding fiscal year. The statements are public records available
9 for inspection at the office of the state treasurer.

10 9. Exercise those specific powers of the surveyor-general as a member
11 of the selection board established under section 37-202.

12 B. The state treasurer may administer all oaths prescribed by law in
13 matters touching the duties of the office of the state treasurer, may appoint
14 a deputy state treasurer, may qualify and select investment managers or
15 advisors pursuant to section 35-318 and shall perform other duties required
16 by other laws of the state.

17 C. THE STATE TREASURER MAY OBTAIN CRIMINAL HISTORY RECORD INFORMATION
18 PURSUANT TO SECTION 41-1750, SUBSECTION G FROM THE DEPARTMENT OF PUBLIC
19 SAFETY CRIMINAL IDENTIFICATION SECTION FOR THE PURPOSE OF EMPLOYMENT OF
20 PERSONNEL.

21 Sec. 30. Section 42-5029, Arizona Revised Statutes, is amended to
22 read:

23 42-5029. Remission and distribution of monies

24 A. The department shall deposit, pursuant to sections 35-146 and
25 35-147, all revenues collected under this article and articles 4, 5, 8 and
26 9 of this chapter pursuant to section 42-1116, separately accounting for:

27 1. Payments of estimated tax under section 42-5014, subsection D.

28 2. Revenues collected pursuant to section 42-5070.

29 3. Revenues collected under this article and article 5 of this chapter
30 from and after June 30, 2000 from sources located on Indian reservations in
31 this state.

32 4. Revenues collected pursuant to section 42-5010, subsection G and
33 section 42-5155, subsection D.

34 B. The department shall credit payments of estimated tax to an
35 estimated tax clearing account and each month shall transfer all monies in
36 the estimated tax clearing account to a fund designated as the transaction
37 privilege and severance tax clearing account. The department shall credit
38 all other payments to the transaction privilege and severance tax clearing
39 account, separately accounting for the monies designated as distribution base
40 under sections 42-5010, 42-5164, 42-5205, 42-5353 and 42-5409. Each month
41 the department shall report to the state treasurer the amount of monies
42 collected pursuant to this article and articles 4, 5, 8 and 9 of this
43 chapter.

44 C. On notification by the department, the state treasurer shall
45 distribute the monies deposited in the transaction privilege and severance

1 tax clearing account in the manner prescribed by this section and by sections
2 42-5164, 42-5205, 42-5353 and 42-5409, after deducting warrants drawn against
3 the account pursuant to sections 42-1118 and 42-1254.

4 D. Of the monies designated as distribution base the department shall:

5 1. Pay twenty-five per cent to the various incorporated municipalities
6 in this state in proportion to their population as shown by the last United
7 States decennial or special census, or revisions to the decennial or special
8 census certified by the United States bureau of the census, to be used by the
9 municipalities for any municipal purpose.

10 2. Pay 38.08 per cent to the counties in this state by averaging the
11 following proportions:

12 (a) The proportion that the population of each county bears to the
13 total state population, as shown by the most recent United States decennial
14 or special census, or revisions to the decennial or special census certified
15 by the United States bureau of the census.

16 (b) The proportion that the distribution base monies collected during
17 the calendar month in each county under this article, section 42-5164,
18 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409
19 bear to the total distribution base monies collected under this article,
20 section 42-5164, subsection B, section 42-5205, subsection B and sections
21 42-5353 and 42-5409 throughout the state for the calendar month.

22 3. Pay an additional 2.43 per cent to the counties in this state as
23 follows:

24 (a) Average the following proportions:

25 (i) The proportion that the assessed valuation used to determine
26 secondary property taxes of each county, after deducting that part of the
27 assessed valuation that is exempt from taxation at the beginning of the month
28 for which the amount is to be paid, bears to the total assessed valuations
29 used to determine secondary property taxes of all the counties after
30 deducting that portion of the assessed valuations that is exempt from
31 taxation at the beginning of the month for which the amount is to be paid.
32 Property of a city or town that is not within or contiguous to the municipal
33 corporate boundaries and from which water is or may be withdrawn or diverted
34 and transported for use on other property is considered to be taxable
35 property in the county for purposes of determining assessed valuation in the
36 county under this item.

37 (ii) The proportion that the distribution base monies collected during
38 the calendar month in each county under this article, section 42-5164,
39 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409
40 bear to the total distribution base monies collected under this article,
41 section 42-5164, subsection B, section 42-5205, subsection B and sections
42 42-5353 and 42-5409 throughout the state for the calendar month.

43 (b) If the proportion computed under subdivision (a) of this paragraph
44 for any county is greater than the proportion computed under paragraph 2 of
45 this subsection, the department shall compute the difference between the

1 amount distributed to that county under paragraph 2 of this subsection and
2 the amount that would have been distributed under paragraph 2 of this
3 subsection using the proportion computed under subdivision (a) of this
4 paragraph and shall pay that difference to the county from the amount
5 available for distribution under this paragraph. Any monies remaining after
6 all payments under this subdivision shall be distributed among the counties
7 according to the proportions computed under paragraph 2 of this subsection.

8 4. After any distributions required by sections ~~42-5030~~, 42-5030.01,
9 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer
10 to the water quality assurance revolving fund as required by section 49-282,
11 subsection B, credit the remainder of the monies designated as distribution
12 base to the state general fund. From this amount the legislature shall
13 annually appropriate to:

14 (a) The department of revenue sufficient monies to administer and
15 enforce this article and articles 5, 8 and 9 of this chapter.

16 (b) The department of economic security monies to be used for the
17 purposes stated in title 46, chapter 1.

18 (c) The tourism fund, through June 30, 2001, an amount equal to the
19 sum of the following:

20 (i) Two million dollars.

21 (ii) Seventy-five per cent of the amount by which revenues derived
22 from a one-half percentage rate portion of the total tax rate imposed on the
23 transient lodging classification for the current fiscal year exceed the
24 revenues derived from a one-half percentage rate portion of that tax in the
25 previous fiscal year.

26 (d) The Arizona arts endowment fund established by section 41-986, the
27 full amount by which revenues derived from the amusement classification
28 pursuant to section 42-5073 for the current fiscal year exceed the revenues
29 that were derived from that classification in fiscal year 1993-1994, except
30 that this amount shall not exceed two million dollars in any fiscal
31 year. This subdivision applies for fiscal years through June 30, 2007.

32 (e) The firearms safety and ranges fund established by section 17-273,
33 fifty thousand dollars derived from the taxes collected from the retail
34 classification pursuant to section 42-5061 for the current fiscal year.

35 (f) The tourism fund, beginning from and after June 30, 2001 an amount
36 equal to the sum of the following:

37 (i) Three and one-half per cent of the gross revenues derived from the
38 transient lodging classification pursuant to section 42-5070 during the
39 preceding fiscal year.

40 (ii) Three per cent of the gross revenues derived from the amusement
41 classification pursuant to section 42-5073 during the preceding fiscal year.

42 (iii) Two per cent of the gross revenues derived from the restaurant
43 classification pursuant to section 42-5074 during the preceding fiscal year.

44 E. If approved by the qualified electors voting at a statewide general
45 election, all monies collected pursuant to section 42-5010, subsection G and

1 section 42-5155, subsection D shall be distributed each fiscal year pursuant
2 to this subsection. The monies distributed pursuant to this subsection are
3 in addition to any other appropriation, transfer or other allocation of
4 public or private monies from any other source and shall not supplant,
5 replace or cause a reduction in other school district, charter school,
6 university or community college funding sources. The monies shall be
7 distributed as follows:

8 1. If there are outstanding state school facilities revenue bonds
9 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
10 amount that is necessary to pay the fiscal year's debt service on outstanding
11 state school improvement revenue bonds for the current fiscal year shall be
12 transferred each month to the school improvement revenue bond debt service
13 fund established by section 15-2084. The total amount of bonds for which
14 these monies may be allocated for the payment of debt service shall not
15 exceed a principal amount of eight hundred million dollars exclusive of
16 refunding bonds and other refinancing obligations.

17 2. After any transfer of monies pursuant to paragraph 1 of this
18 subsection, twelve per cent of the remaining monies collected during the
19 preceding month shall be transferred to the technology and research
20 initiative fund established by section 15-1648 to be distributed among the
21 universities for the purpose of investment in technology and research-based
22 initiatives.

23 3. After the transfer of monies pursuant to paragraph 1 of this
24 subsection, three per cent of the remaining monies collected during the
25 preceding month shall be transferred to the workforce development account
26 established in each community college district pursuant to section 15-1472
27 for the purpose of investment in workforce development programs.

28 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
29 subsection, one-twelfth of the amount a community college that is owned,
30 operated or chartered by a qualifying Indian tribe on its own Indian
31 reservation would receive pursuant to section 15-1472, subsection D,
32 paragraph 2 if it were a community college district under the jurisdiction
33 of the state board of directors for community colleges shall be distributed
34 each month to the treasurer or other designated depository of a qualifying
35 Indian tribe. Monies distributed pursuant to this paragraph are for the
36 exclusive purpose of providing support to one or more community colleges
37 owned, operated or chartered by a qualifying Indian tribe and shall be used
38 in a manner consistent with section 15-1472, subsection B. For purposes of
39 this paragraph, "qualifying Indian tribe" has the same meaning as defined in
40 section 42-5031.01, subsection D.

41 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
42 subsection, one-twelfth of the following amounts shall be transferred each
43 month to the department of education for the increased cost of basic state
44 aid under section 15-971 due to added school days and associated teacher
45 salary increases enacted in 2000:

- 1 (a) In fiscal year 2001-2002, \$15,305,900.
- 2 (b) In fiscal year 2002-2003, \$31,530,100.
- 3 (c) In fiscal year 2003-2004, \$48,727,700.
- 4 (d) In fiscal year 2004-2005, \$66,957,200.
- 5 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
- 6 \$86,280,500.

7 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
8 subsection, seven million eight hundred thousand dollars is appropriated each
9 fiscal year, to be paid in monthly installments, to the department of
10 education to be used for school safety as provided in section 15-154 and two
11 hundred thousand dollars is appropriated each fiscal year, to be paid in
12 monthly installments to the department of education to be used for the
13 character education matching grant program as provided in section 15-154.01.

14 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
15 subsection, no more than seven million dollars may be appropriated by the
16 legislature each fiscal year to the department of education to be used for
17 accountability purposes as described in section 15-241 and title 15, chapter
18 9, article 8.

19 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
20 subsection, one million five hundred thousand dollars is appropriated each
21 fiscal year, to be paid in monthly installments, to the failing schools
22 tutoring fund established by section 15-241.

23 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
24 subsection, twenty-five million dollars shall be transferred each fiscal year
25 to the state general fund to reimburse the general fund for the cost of the
26 income tax credit allowed by section 43-1072.01.

27 10. After the payment of monies pursuant to paragraphs 1 through 9 of
28 this subsection, the remaining monies collected during the preceding month
29 shall be transferred to the classroom site fund established by section
30 15-977. The monies shall be allocated as follows in the manner prescribed
31 by section 15-977:

32 (a) Forty per cent shall be allocated for teacher compensation based
33 on performance.

34 (b) Twenty per cent shall be allocated for increases in teacher base
35 compensation and employee related expenses.

36 (c) Forty per cent shall be allocated for maintenance and operation
37 purposes.

38 F. The department shall credit the remainder of the monies in the
39 transaction privilege and severance tax clearing account to the state general
40 fund, subject to any distribution required by section 42-5030.01.

41 G. Notwithstanding subsection D of this section, if a court of
42 competent jurisdiction finally determines that tax monies distributed under
43 this section were illegally collected under this article or articles 5, 8 and
44 9 of this chapter and orders the monies to be refunded to the taxpayer, the
45 department shall compute the amount of such monies that was distributed to

each city, town and county under this section. The department shall notify the state treasurer of that amount plus the proportionate share of additional allocated costs required to be paid to the taxpayer. Each city's, town's and county's proportionate share of the costs shall be based on the amount of the original tax payment each municipality and county received. Each month the state treasurer shall reduce the amount otherwise distributable to the city, town and county under this section by one thirty-sixth of the total amount to be recovered from the city, town or county until the total amount has been recovered, but the monthly reduction for any city, town or county shall not exceed ten per cent of the full monthly distribution to that entity. The reduction shall begin for the first calendar month after the final disposition of the case and shall continue until the total amount, including interest and costs, has been recovered.

H. On receiving a certificate of default from the greater Arizona development authority pursuant to section 41-1554.06 or 41-1554.07 and to the extent not otherwise expressly prohibited by law, the state treasurer shall withhold from the next succeeding distribution of monies pursuant to this section due to the defaulting political subdivision the amount specified in the certificate of default and immediately deposit the amount withheld in the greater Arizona development authority revolving fund. The state treasurer shall continue to withhold and deposit the monies until the greater Arizona development authority certifies to the state treasurer that the default has been cured. In no event may the state treasurer withhold any amount that the defaulting political subdivision certifies to the state treasurer and the authority as being necessary to make any required deposits then due for the payment of principal and interest on bonds of the political subdivision that were issued before the date of the loan repayment agreement or bonds and that have been secured by a pledge of distributions made pursuant to this section.

Sec. 31. Delayed repeal

Section 42-5030, Arizona Revised Statutes, is repealed from and after June 30, 2002.

Sec. 32. Section 42-5030.01, Arizona Revised Statutes, is amended to read:

42-5030.01. Distribution of revenues for school facilities

A. From and after June 30, 1999, if there are outstanding state school facilities revenue bonds pursuant to title 15, chapter 16, article 6, and if the amount of monies available under section 37-521, subsection B, paragraph 1 is insufficient to pay the debt service due on the outstanding bonds in that fiscal year, the state treasurer shall transfer to the state school facilities revenue bond debt service fund established in section 15-2054 the amount that is necessary to pay the debt service due in that fiscal year on the outstanding bonds from state general fund revenues that were collected pursuant to this chapter.

B. From and after June 30, 1999, each fiscal year after any payments under subsection A of this section the state treasurer shall transfer, **WITHOUT THE NEED FOR A SPECIFIC LEGISLATIVE APPROPRIATION:**

1. To the deficiencies correction fund state general fund revenues collected pursuant to this chapter in the amount that the school facilities board instructs the state treasurer pursuant to section 15-2002, subsection A, paragraph 10.

2. To the building renewal fund state general fund revenues collected pursuant to this chapter in the amount that the school facilities board instructs the state treasurer pursuant to section 15-2002, subsection A, paragraph 10.

3. To the new school facilities fund state general fund revenues collected pursuant to this chapter in the amount that the school facilities board instructs the state treasurer pursuant to section 15-2002, subsection A, paragraph 10.

Sec. 33. Section 42-15252, Arizona Revised Statutes, is amended to read:

42-15252. Determining assessed valuation of remote municipal property

A. The county assessor shall determine the full cash value and primary and secondary assessed valuation of remote municipal property at the same amount and using the same method of assessment as applied to private property that is used for the same purpose in the county.

B. Remote municipal property that is used for agricultural purposes as provided in chapter 12, article 4 of this title shall be valued pursuant to chapter 13, article 3 of this title. Remote municipal property that has been retired from irrigated agricultural use but that is not used for any commercial purpose shall be valued at its market value and assessed as class two property pursuant to sections 42-12002 and 42-15002.

C. The assessor shall transmit the determination of the value of the property ~~to the state treasurer and~~ to the county board of supervisors on or before the third Monday in June.

Sec. 34. Section 42-15253, Arizona Revised Statutes, is amended to read:

42-15253. Computing amount of taxes otherwise payable on remote municipal property

A. On or before the third Thursday in August the county board of supervisors shall compute and transmit to the state treasurer REPORT TO THE CITY, TOWN OR POLITICAL SUBDIVISION the amount of property taxes that would otherwise be payable on the CITY'S, TOWN'S OR POLITICAL SUBDIVISION'S remote municipal property by:

1. Multiplying the combined total primary property tax rates of the political subdivisions in which the property is located by the primary assessed valuation of the property.

1 2. Multiplying the combined total secondary property tax rates of the
2 political subdivisions in which the property is located by the secondary
3 assessed valuation of the property.

4 B. The sum of the primary and secondary taxes so computed is the
5 amount of property taxes otherwise payable on the remote municipal property.

6 Sec. 35. Section 42-15254, Arizona Revised Statutes, is amended to
7 read:

8 42-15254. Conveyance of remote municipal property to private
9 ownership; payment of tax revenues

10 A. If the municipality conveys the title to the remote municipal
11 property to private ownership, a political subdivision that receives property
12 taxes from the property, and that has outstanding bonds or other long-term
13 obligations that are secured by water transportation revenues under title 35,
14 chapter 3, article 3.4, shall determine the amount of property taxes
15 otherwise payable as prescribed by section 42-15253 as a result of that
16 political subdivision's property tax rates and the value of the property.

17 B. The political subdivision shall make special payments to the state
18 treasurer COUNTY TREASURER OF THE COUNTY IN WHICH THE PROPERTY IS LOCATED in
19 the amount determined pursuant to section 42-15253 in the manner prescribed
20 in section 9-433 ~~for deposit in the urban in-lieu payment fund.~~

21 Sec. 36. Section 44-313, Arizona Revised Statutes, is amended to read:

22 44-313. Deposit of monies; definition

23 A. Except as otherwise provided in this section or section 44-314, the
24 department shall ~~transmit~~ DEPOSIT, PURSUANT TO SECTIONS 35-146 AND 35-147,
25 all monies received pursuant to this chapter, including the proceeds from the
26 sale of abandoned property pursuant to section 44-312, ~~to the state treasurer~~
27 ~~for deposit in the state general fund, and the state treasurer shall transfer~~
28 EXCEPT THAT:

29 1. Thirty-five per cent of the monies ~~to~~ SHALL BE DEPOSITED IN the
30 housing trust fund established by section 41-1512.

31 2. Twenty per cent of the monies ~~to~~ SHALL BE DEPOSITED IN the housing
32 trust fund established by section 41-1512. These monies shall be used
33 exclusively for the development of eligible and viable affordable housing in
34 rural areas and for the purposes authorized under the housing development
35 fund established by section 41-1518.

36 3. Twenty per cent of the monies ~~to~~ SHALL BE DEPOSITED IN the funds
37 in the amounts provided in section 5-113, subsection A.

38 B. The department shall deposit monies from unclaimed shares and
39 dividends of any corporation incorporated under the laws of this state in the
40 permanent state school fund pursuant to article XI, section 8, Constitution
41 of Arizona.

42 C. The department shall retain in a separate trust fund at least one
43 hundred thousand dollars from which the department shall pay claims.

44 D. Before making the deposit, the department shall record the name and
45 last known address of each person who appears from the holders' reports to

1 be entitled to the property and the name and last known address of each
2 insured person or annuitant and beneficiary. The department shall also
3 record the policy or contract number of each policy or contract of an
4 insurance company that is listed in the report, the name of the company and
5 the amount due. The department shall make the record available for public
6 inspection during reasonable business hours.

7 E. Before making any deposit to the credit of the state general fund,
8 the department may deduct, subject to legislative appropriation,
9 administrative expenses in the following order of priority:

- 10 1. Any costs in connection with the sale of abandoned property.
11 2. Costs of mailing and publication in connection with any abandoned
12 property.
13 3. Reasonable department service charges.
14 4. Costs incurred in examining records of holders of property and in
15 collecting the property from those holders.
16 5. Lawful holder charges.

17 F. The department shall deposit monies received pursuant to section
18 35-187 in the homeless trust fund as provided in section 41-2021 in an amount
19 of not more than one million dollars. The department shall deposit monies
20 in excess of one million dollars pursuant to the distribution described in
21 subsections A and B of this section. Before making any deposit in the
22 homeless trust fund, the department shall deduct any amounts related to owner
23 claims and interest payments.

24 G. For the purposes of this section, "rural area" means either:

- 25 1. A county with a population of less than four hundred thousand
26 persons.
27 2. A census county division with less than fifty thousand persons in
28 a county with a population of four hundred thousand or more persons.

29 Sec. 37. Section 44-314, Arizona Revised Statutes, is amended to read:
30 44-314. Federal deposit insurance corporation trust fund;

31 temporary custody; interest

32 A. The federal deposit insurance corporation trust fund is established
33 consisting of monies the department receives from the federal deposit
34 insurance corporation under the unclaimed deposits amendments act of 1993
35 (P.L. 103-44; 107 Stat. 220; 12 United States Code section 1822(e)). The
36 department shall administer the fund. Monies in the fund are continuously
37 appropriated.

38 B. If the monies deposited in the federal deposit insurance
39 corporation trust fund are not claimed by the owner within ten years after
40 being surrendered to the department, the department shall return the monies
41 to the federal deposit insurance corporation.

42 C. This state retains all interest earned on the monies in the federal
43 deposit insurance corporation trust fund. ~~The state treasurer shall deposit~~
44 the interest earned on the monies in the federal deposit insurance
45 corporation trust fund SHALL BE CREDITED as follows:

1 1. Sixty-five per cent in the state general fund.

2 2. Thirty-five per cent in the housing trust fund established by
3 section 41-1512.

4 Sec. 38. Section 48-251, Arizona Revised Statutes, is amended to read:
5 48-251. Annual report

6 A. Each district organized under this title and not exempted under
7 subsection C of this section shall submit an annual report as prescribed by
8 this section which contains the following information:

9 1. A schedule of the beginning and ending fund balances and all
10 revenues and expenditures for the preceding fiscal year on a form prescribed
11 by the auditor general or the same information contained in a financial
12 statement for the preceding fiscal year that has been attested to by an
13 independent certified public accountant. The schedule or statement shall
14 include all monies, gifts or donations THAT ARE received from all sources
15 which AND THAT have a value exceeding one hundred dollars.

16 2. Legal descriptions of any boundary changes occurring during the
17 preceding fiscal year.

18 3. The names, occupations and business telephone numbers of all
19 members of the governing board and officers of the district on the last day
20 of the preceding fiscal year.

21 4. The schedule and location of regular meetings of the district
22 governing board.

23 5. The location or locations where public notices of meetings are
24 posted pursuant to section 38-431.02.

25 6. The name and title of the person or persons completing the
26 reporting requirements pursuant to this subsection.

27 B. The secretary or other officer of the district governing board
28 shall submit the report within one hundred eighty days of the close of the
29 district's fiscal year to the clerk of the board of supervisors of each
30 county in which the district is located. ~~At the same time the secretary or~~
31 ~~other officer shall also mail a copy of the report to the state treasurer.~~

32 C. Districts organized under chapters 4, 6, 17, 22, 27 and 28 of this
33 title are exempt from the requirements of this section. Districts THAT DO
34 not providing PROVIDE services or otherwise operating OPERATE during the
35 entire period covered by the report AND that notify the clerk of the board
36 of supervisors ~~and the state treasurer~~ in writing of such circumstances
37 within the time for filing the report are exempt from the requirements of
38 subsection A of this section.

39 D. If a district fails to submit a report as required by this section,
40 any taxpayer residing in the district may petition the superior court in a
41 county in which the district is organized to order the district to show cause
42 why the report has not been submitted. On a failure to show cause the court
43 shall order the district to file all reports as required by this section. A
44 failure to obey the order of the court is punishable as contempt of court.

1 E. If the court finds that a district has violated this section, it
2 shall award the taxpayer attorney fees and costs associated with bringing the
3 action.

4 F. ~~The state treasurer~~ BOARD OF SUPERVISORS OF EACH COUNTY shall
5 submit annually by January 31 a report on compliance with the requirements
6 of this section to the president of the senate, the speaker of the house of
7 representatives and the governor. The annual report shall include a listing
8 of all those districts required to comply with the requirements of this
9 section, the districts in compliance and not in compliance with the
10 requirements and an analysis of the sufficiency of each district report.

11 G. ~~The state treasurer~~ BOARD OF SUPERVISORS shall notify each district
12 not in compliance with the reporting requirements of this section to comply
13 within thirty days after receipt by certified mail of such noncompliance and
14 that the district is subject to a civil penalty if it fails to comply. The
15 ~~state treasurer~~ BOARD OF SUPERVISORS shall assess, and the county treasurer
16 shall transfer to the state treasurer COLLECT from the monies of a district
17 remaining in noncompliance thirty days after receipt of certified mail a
18 penalty assessment of one hundred dollars per day for each day that such
19 district is not in compliance with the reporting requirements of this section
20 from thirty days after receipt by certified mail of the noncompliance notice
21 until such time as the ~~state treasurer~~ BOARD OF SUPERVISORS receives a copy
22 of the district's annual report, to the extent that district monies are
23 available and unencumbered. PENALTY MONIES COLLECTED SHALL BE DEPOSITED IN
24 THE COUNTY GENERAL FUND.

25 Sec. 39. Section 48-1068, Arizona Revised Statutes, is amended to
26 read:

27 48-1068. Bond proceeds fund; investments; expenditures; audit

28 A. The board of directors shall establish a bond proceeds fund in
29 connection with each series of bonds issued by the district. After deducting
30 the necessary costs and expenses of issuing and selling the bonds, the
31 treasurer or fiscal agent shall promptly deposit the proceeds from selling
32 and delivering the bonds in the bond proceeds fund established with respect
33 to those bonds. The treasurer or fiscal agent shall separately maintain the
34 fund from all other funds, except that the treasurer or fiscal agent shall
35 first apply those amounts of the bond proceeds stated in the resolution
36 issuing the bonds to all reserve and sinking funds created in the bond
37 resolution. The district may spend monies in the bond proceeds fund for any
38 purpose not inconsistent with the resolutions authorizing the bonds. Monies
39 deposited into the fund shall be segregated into accounts and subaccounts as
40 the board of directors may determine appropriate.

41 B. The board of directors may order the investment of monies in the
42 bond proceeds fund in ~~United States treasury obligations, interest bearing~~
43 ~~United States bonds, consolidated farm loan bonds, obligations issued by the~~
44 ~~federal intermediate credit banks or obligations issued by banks for~~
45 ~~cooperatives on the authority of the farm act of 1933, any other obligations~~

1 ~~guaranteed by the United States government~~ OBLIGATIONS ISSUED OR GUARANTEED
 2 BY THE UNITED STATES OR ANY OF THE SENIOR DEBT OF ITS AGENCIES, SPONSORED
 3 AGENCIES, CORPORATIONS, SPONSORED CORPORATIONS OR INSTRUMENTALITIES and any
 4 investments which are authorized for use to secure public deposits or state,
 5 county or municipal bonds issued in this state on which the interest payments
 6 have not been deferred. The investment order shall state the approximate
 7 time when the proceeds from the sale of the bonds shall be used for the
 8 purposes directed in the bond resolution, and the treasurer or fiscal agent
 9 shall invest the proceeds from the sale of the bonds in a way as to mature
 10 at or as near as possible to the specified date.

11 C. The district shall use the monies or securities in the bond
 12 proceeds fund solely for the purposes stated in the bond resolution, except
 13 that if the revenues pledged to secure the bonds become insufficient to pay
 14 the annual principal and interest on the bonds, the district shall order the
 15 liquidation of the securities remaining in the fund and order the treasurer
 16 or fiscal agent to apply all such monies in the fund as may be necessary to
 17 make current all payments then due on the bonds.

18 D. The board of directors shall cause an audit to be made of the bond
 19 proceeds fund with respect to each series of bonds issued by the district,
 20 including all accounts and subaccounts in the fund. The audit shall be
 21 conducted by a certified public accountant within ninety days after the close
 22 of the fiscal year. The district shall immediately file a certified copy of
 23 the audit with the auditor general. The auditor general may make further
 24 audits and examinations as he deems necessary and take appropriate action
 25 relating to the audit or examination pursuant to title 41, chapter 7, article
 26 10.1. If the auditor general takes no official action within thirty days
 27 after the audit is filed, the audit is deemed sufficient. The district shall
 28 pay any fees and costs of the certified public accountant and auditor general
 29 under this section from the bond proceeds fund.

30 Sec. 40. Section 48-2710, Arizona Revised Statutes, is amended to
 31 read:

32 48-2710. Liability of state for assessments against state lands
 33 included within district; effect of sale to private
 34 owner

35 A. When a drainage district organized under this chapter includes
 36 within its boundaries, at the time of its organization, any lands granted or
 37 in any manner confirmed or transferred to the state under the provisions of
 38 the enabling act, approved June 20, 1910, and the title to the lands is, at
 39 the time of such organization, vested in the state, as long as the state
 40 continues to hold such land for the use and purposes for which it was
 41 granted, or otherwise, the state shall pay a proportionate part of all costs,
 42 charges, expenses, amounts of money, including payments of the principal and
 43 interest on bonds and other evidences of indebtedness of the district, and
 44 other costs and expenses of any kind, incurred or expended in the
 45 construction, acquisition, equipment, maintenance and operation of the

1 drainage system and works of the district, as the number of acres of such
2 state lands included within the district bears to the total number of acres
3 of all the lands of the district.

4 B. Claims for the amounts due from time to time shall be made by the
5 board of directors for and in the name of the district against the
6 state. The claims shall be verified by the secretary of the board, and shall
7 contain a brief description of the land upon which the claim is made, and
8 shall state in general terms the purposes for which the money due on the
9 claim will be expended. The claim shall be filed with and audited by the
10 department of administration, which shall present the claim to the governor,
11 or other board or officer as provided by law for approving such claims, and
12 if found correct the claim shall be allowed and ordered paid by the governor,
13 or other board or officer. The department of administration shall thereupon
14 draw a warrant ~~on the state treasurer~~, payable to the county treasurer of the
15 county in which the office of the district is located, for the use and
16 benefit of the district, in payment of the claim, and the state treasurer
17 shall, upon presentation of the warrant, properly endorsed, pay it from any
18 money in the STATE general fund ~~not otherwise specifically appropriated~~.

19 C. If the state at any time subsequent to the formation of the
20 district sells any of such land, all of the burdens, obligations, liabilities
21 and liens existing against other lands in private ownership included within
22 the district by reason of the organization of the district, or in any manner
23 connected with, incident to or arising from or by reason of the existence of
24 the district or any obligation thereof, shall forthwith, by operation of law,
25 upon consummation of the sale, attach to, and thereafter continue to exist
26 against and upon, the land to the same extent and with like force and effect
27 as if such land had been in private ownership at the time of the organization
28 of the district.

29 Sec. 41. Section 48-3114, Arizona Revised Statutes, is amended to
30 read:

31 48-3114. Determination of tax rate; fiscal year

32 A. The board of supervisors of each county in which taxable lands of
33 an irrigation district are situated shall add to the amount certified by the
34 board of directors of the district as the total amount necessary to be raised
35 by taxation for any fiscal year an additional amount equal to fifteen per
36 cent of the gross amount so certified and, based upon the total so
37 ascertained, shall fix and determine the rate per acre at which each acre of
38 taxable lands of the district shall be taxed in the county for district
39 purposes. The total of each assessment shall be computed at the acreage
40 amount so fixed and extended upon the rolls by the officers authorized by law
41 to compute and extend general county taxes thereon. The amount shall be
42 assessed to the same person to whom the state and county taxes are assessed,
43 and the board shall levy the taxes so assessed in the same manner and at the
44 same time as the levy of general county taxes. When so levied the district

1 taxes shall become a lien upon the real estate taxed which shall be in force
2 and effect until the taxes and all penalties and interest thereon are paid.

3 B. The board of directors shall designate the fiscal year of the
4 district and notify the board of supervisors and the state treasurer of the
5 designation.

6 C. When a tax levied and assessed to meet an existing obligation is
7 in force, uncollected and unexpended, a reassessment or second levy for the
8 same purpose shall not be made, whether or not the obligation is changed in
9 form.

10 Sec. 42. Section 48-4461, Arizona Revised Statutes, is amended to
11 read:

12 48-4461. Duties of the board

13 A. The board of directors shall:

14 1. Manage and conduct the business and affairs of the district.

15 2. Make and execute all necessary contracts and other instruments that
16 shall be signed by the president or by another board member or an employee
17 of the district designated for that purpose.

18 3. Establish and enforce bylaws, resolutions, ordinances and policies
19 for governing the board and the organization and management of the business
20 and affairs of the district.

21 4. Determine the boundaries of the divisions in the district that
22 shall be numbered respectively divisions one, two, three, four, five and
23 six. After each United States decennial census the board shall define the
24 boundaries and limits of each division and shall:

25 (a) Make the divisions equal or as nearly equal in population as is
26 practicable, based on the census.

27 (b) Make the configuration of each division as compact as practicable
28 consistent with equal population.

29 (c) Preserve existing communities of interest within the same division
30 to the extent practicable.

31 (d) If possible, align the divisions over identified groundwater
32 sub-basins and the division boundaries along existing voting precinct
33 boundaries, survey lines or political or administrative boundaries.

34 5. Adopt a name for the district that includes the words "groundwater
35 replenishment district".

36 6. Adopt a seal for the district and alter it at its pleasure.

37 7. Employ a general manager, who shall serve at its pleasure, and
38 define and fix his or her duties and compensation.

39 8. Require that all monies received on behalf of the district be
40 deposited in such funds as may be established by the district to be spent at
41 the direction of the board as provided by this chapter. Monies that are not
42 required immediately may be invested for periods of not more than five years
43 in any of the following, unless otherwise provided:

44 (a) Certificates of deposit.

45 (b) Repurchase agreements with public depositories.

1 ~~(c) United States treasury securities.~~

2 ~~(d) Securities issued by an agency of the United States government.~~

3 (c) OBLIGATIONS ISSUED OR GUARANTEED BY THE UNITED STATES OR ANY OF
4 THE SENIOR DEBT OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS, SPONSORED
5 CORPORATIONS OR INSTRUMENTALITIES.

6 ~~(e)~~ (d) Securities issued by this state or an agency or
7 instrumentality of this state.

8 ~~(f)~~ (e) An investment pool established under section 35-326.

9 9. Appoint a seven member technical advisory committee from
10 individuals nominated by district members.

11 10. Perform all acts necessary to carry out the purposes of this
12 chapter.

13 B. Immediately on organization, the initial board of directors shall
14 initiate proceedings to determine the application of federal voting laws to
15 the district and shall take any necessary action to comply with the
16 applicable federal laws.

17 Sec. 43. Section 48-4549, Arizona Revised Statutes, is amended to
18 read:

19 48-4549. Bond fund; investments; expenditures; audit

20 A. The board shall establish and maintain a bond fund. After
21 deducting the necessary costs and expenses of issuing and selling the bonds,
22 the treasurer or fiscal agent shall promptly deposit the proceeds from
23 selling and delivering the bonds in the bond fund. The treasurer or fiscal
24 agent shall separately maintain the fund from all other funds, except that
25 the treasurer or fiscal agent shall first apply those amounts of the bond
26 proceeds stated in the resolution issuing the bonds to all reserve and
27 sinking funds created in the bond resolution. The board may spend monies in
28 the bond fund for any water replenishment purpose not inconsistent with the
29 resolutions authorizing the bonds.

30 B. The board may order the investment of monies in the bond fund in
31 ~~United States treasury obligations, interest bearing United States bonds,~~
32 ~~consolidated farm loan bonds, obligations issued by the federal intermediate~~
33 ~~credit banks or obligations issued by banks for cooperatives on the authority~~
34 ~~of the farm act of 1933, any other obligations guaranteed by the United~~
35 ~~States government~~ OBLIGATIONS ISSUED OR GUARANTEED BY THE UNITED STATES OR
36 ANY OF THE SENIOR DEBT OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS,
37 SPONSORED CORPORATIONS OR INSTRUMENTALITIES and any investments authorized
38 by any other agencies of the United States government that are authorized for
39 use to secure public deposits or state, county or municipal bonds issued in
40 this state on which the interest payments have not been deferred. The
41 investment order shall state the approximate time when the proceeds from the
42 sale of the bonds shall be used for the purposes directed in the bond
43 resolution, and the treasurer or fiscal agent shall invest the proceeds from
44 the sale of the bonds in such a way as to mature at the specified date.

1 C. The board shall use the monies or securities in the bond fund
2 solely for the purposes stated in the bond resolution, except that if the
3 revenues pledged to secure the bonds become insufficient to pay the annual
4 principal and interest on the bonds, the board shall order the liquidation
5 of the securities remaining in the fund and order the treasurer or fiscal
6 agent to apply all such monies in the fund as may be necessary to make
7 current all payments then due on the bonds.

8 D. The board shall cause an audit to be made of the bond fund,
9 including all accounts and subaccounts in the fund. The audit shall be
10 conducted by a certified public accountant within ninety days after the close
11 of the fiscal year. The board shall immediately file a certified copy of the
12 audit with the auditor general. The auditor general may make such further
13 audits and examinations as he deems necessary and take appropriate action
14 relating to the audit or examination pursuant to title 41, chapter 7, article
15 10.1. If the auditor general takes no official action within thirty days
16 after the audit is filed, the audit is deemed sufficient. The board shall
17 pay any fees and costs of the certified public accountant and auditor general
18 under this section from the bond fund.

19 Sec. 44. Section 48-5169, Arizona Revised Statutes, is amended to
20 read:

21 48-5169. Public transportation bond proceeds fund

22 A. The public transportation bond proceeds fund is established. After
23 deducting the necessary costs and expenses of the issuance and sale of the
24 bonds, the authority shall promptly transfer the proceeds received from the
25 sale and delivery of the bonds to the fiscal agent for deposit in the public
26 transportation bond proceeds fund. The fiscal agent shall maintain the fund
27 separate and apart from all other funds, except that the authority's
28 treasurer or fiscal agent shall first apply those amounts of the bond
29 proceeds provided in the resolution issuing the bonds to all reserve and
30 sinking funds created in the bond resolution. The authority may spend monies
31 in the fund for any public transportation purpose not inconsistent with the
32 resolutions authorizing the bonds.

33 B. The board may order the investment of monies in the public
34 transportation bond proceeds fund by the fiscal agent in any of the
35 following:

- 36 ~~1. United States treasury obligations.~~
37 ~~2. Interest bearing United States bonds.~~
38 ~~3. Consolidated farm loan bonds.~~
39 ~~4. Obligations issued by the federal intermediate credit banks or by~~
40 ~~banks for cooperatives on the authority of the farm act of 1933 and any other~~
41 ~~obligations guaranteed by the United States government.~~

42 ~~5. OBLIGATIONS ISSUED OR GUARANTEED BY THE UNITED STATES OR ANY OF THE~~
43 ~~SENIOR DEBT OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS, SPONSORED~~
44 ~~CORPORATIONS OR INSTRUMENTALITIES AND any investments that are authorized by~~
45 ~~any other agencies of the United States government and that are now~~

1 authorized for use to secure public deposits or state, county or municipal
2 bonds issued in this state on which the payments of interest have not been
3 deferred.

4 C. The order directing the fiscal agent to invest the monies
5 shall set forth the approximate time when the proceeds from the sale of the
6 bonds shall be used for the purposes directed in the bond resolution, and the
7 fiscal agent shall invest the proceeds from the sale of the bonds in the
8 securities prescribed in subsection B in such a way as to mature at the
9 specified date.

10 D. The board shall use the monies or securities in the public
11 transportation bond proceeds fund solely for the purposes set forth in the
12 bond resolution, except that, if the revenues pledged to secure the bonds
13 ever are insufficient to pay the annual principal and interest on the bonds,
14 the board shall order:

15 1. The liquidation of the securities remaining in the fund.

16 2. The fiscal agent to apply all such monies in the fund as necessary
17 to make current all payments then due on the bonds.

18 E. Title 35, chapter 3, article 7 applies to the bonds and the
19 authority.

20 Sec. 45. Section 48-5170, Arizona Revised Statutes, is amended to
21 read:

22 48-5170. Regional public transportation authority monies;
23 treasurer; investments

24 A. No monies derived from the sale of bonds issued under this article
25 or pledged or assigned to or in trust for the benefit of the holder or
26 holders of the bonds may be required to be paid into the state or county
27 treasury.

28 B. The authority may appoint a treasurer or fiscal agent to hold,
29 deposit or invest the authority's monies.

30 C. Monies derived from the sale of bonds issued under this article or
31 pledged or assigned to or in trust for the benefit of the holder or holders
32 of the bonds:

33 1. May be invested in obligations issued or guaranteed by the United
34 States or any department, ~~agency or instrumentality of the United States~~ OF
35 THE SENIOR DEBT OF ITS AGENCIES, SPONSORED AGENCIES, CORPORATIONS, SPONSORED
36 CORPORATIONS OR INSTRUMENTALITIES or shall be deposited by the treasurer or
37 other fiscal officer of the board in the banks or trust companies as
38 designated by the board and, if required by the board, shall be secured by
39 obligations of the United States.

40 2. Shall be disbursed as the board may direct and according to the
41 terms of any agreements with the holder or holders of any bonds.

1 D. This section does not limit the power of the board to agree in
2 connection with the issuance of any of its bonds as to the custody and
3 disposition of the monies received from the sale of the bonds or from the
4 income and revenues pledged or assigned to or in trust for the benefit of the
5 holder or holders of the bonds.

6 Sec. 46. Transfer of monies

7 On June 30, 2002, all monies remaining in the urban in lieu payment
8 fund established by section 9-434, Arizona Revised Statutes, are transferred
9 to the state general fund.

APPROVED BY THE GOVERNOR APRIL 16, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 17, 2001.

Passed the House April 02, 20 01,

by the following vote: 57 Ayes,

0 Nays, 3 Not Voting

[Signature]
Speaker of the House

Norman L. Moore
Chief Clerk of the House

Passed the Senate March 7, 20 01,

by the following vote: 30 Ayes,

0 Nays, 0 Not Voting

[Signature]
President of the Senate

Charmain Bellington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

 day of , 20 ,

at o'clock M.

Secretary to the Governor

Approved this day of

 , 20 ,

at o'clock M.

Governor of Arizona

S.B. 1138

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this day of , 20 ,

at o'clock M.

Secretary of State

SENATE CONCURS IN HOUSE
AMENDMENTS AND FINAL PASSAGE

Passed the Senate April 10, 2001,

by the following vote: 29 Ayes,

0 Nays, 1 Not Voting

Randall Ament
President of the Senate
Charmine Bellington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

10 day of April, 2001,

at 1:30 o'clock P M.

Janelle Ramirez
Secretary to the Governor

APPROVED THIS 16th day of

April, 2001,

at 1:12 o'clock P M.

James Lee Hall
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 17 day of April, 2001,

at 10:55 o'clock A M.

Robert Taylor
Secretary of State

S.B. 1138